gateway

Wasserstein Perella
Big UK investment faces debt crunch
Page 25

Commercial property
The threat to the banking system
Page 14

Procter & Gamble
A hair-raising tale from Poland
Page 10

Survey
Packaging and the environment
Pages 27-31

NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Thursday May 28 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Ripa di Meana refuses to go to Earth Summit

Carlo Ripa di Meana, the EC's environment commissioner, is refusing to go to next week's Earth Summit in Brazil because world leaders will not make binding commitments on cutting global pollution. The director-general of the Commission's environment service will go instead. Page 16; *Editorial comment, Page 14*

Lower growth forecast: The European Commission is downgrading its forecast of economic growth in the European Community to 1.75 per cent this year. Six months ago the EC was predicting real growth of 2.3 per cent. Page 16

Rabbi stabbed in Gaza: A Palestinian fatally stabbed the rabbi of a Jewish settlement in the occupied Gaza Strip. Angry settlers went on the rampage in protest. In the West Bank, soldiers shot dead a Palestinian grandmother when their bus was stoned. Page 4

Brittan sends car warning: European competition commissioner Sir Leon Brittan has demanded prompt action by EC car manufacturers to reduce price differences between states. Page 3

Spanish strikes: Strikes paralysed parts of northern Spain and unions threatened to bring the whole country to a halt tomorrow . They are protesting at tough plans for achieving economic convergence with Europe. Page 3

Tapie charged: Former French government minister Bernard Tapie, 49, who quit as urban affairs minister at the weekend, was charged in Paris with conspiracy and the misuse of company property.

Commission reports on killings: A South African commission investigating township violence blamed it on rival black groups and rejected claims of orchestrated police involvement. Some individual security force members were guilty of misconduct, it said, but there was insufficient evidence to charge anyone. ANC meets, Page 4

Del Monte Foods: Negotiations are going on with Italian financial company Cragnotti & Partners Capital Investment over the sale of the US tinned foods group, which used belong to RJR Nabisco. Page 17

Body Shop profits go up by 26 per cent:

The Body Shop International, UK-based beauty products group launched by managing director Anita Roddick (left), boosted pre-tax profits to £25.2m ($44.6m). The figures were helped by a first profits contribution from the US and strong growth in Europe. Overseas sales grew by 45 per cent to £61.2m and 41 new stores opened in the US. Page 17; Lex, Page 16

US durable goods orders rose in April for the fourth month running. The 1.4 per cent increase followed a 2.3 per cent rise in March, revised upward from 2.1 per cent. Page 5; Lex, Page 16

Salomon Brothers: Deryck Maughan has been appointed chairman and chief executive of Salomon Inc's Wall Street securities arm. The move comes a week after Salomon Inc paid a $290m fine to settle charges of rigging Treasury bond auctions. Page 17

Chip pact under review: The US is reviewing the effects of last year's semiconductor agreement with Japan. There are US worries that foreign access to Japan's chip market is making only slow progress. Page 6.

Mafia suspects arrested: Police in Italy, Germany and Belgium arrested 19 Mafia suspects in co-ordinated dawn raids. Of 54 arrest warrants issued, 22 were for involvement in murders and attempted murder.

Big wins for Bush and Clinton: President George Bush and Governor Bill Clinton chalked up big wins in the penultimate round of US presidential primaries. Page 7

Hoax halts bourse: Traders evacuated Brussels bourse for an hour after police received a call saying there was a bomb in the building.

New contender for EC bank: Edinburgh, the Scottish capital, joined Frankfurt, London, Paris, Amsterdam and Manchester in the contest to house the European Central Bank. Page 9

Woman wins landmark case: An Australian court awarded A$85,000 (US$65,000) damages after ruling that an employer failed to protect a non-smoker from colleagues' cigarette smoke. Liesel Scholem claimed that 12 years of breathing smoke had worsened her asthma and led to emphysema.

STOCK MARKET INDICES

FT-SE 100:	2,698.8	(-6.0)
Yield	4.54	
FT-SE Eurotrack 100	1,194.56	(-3.81)
FT-A All Share	1,318.67	(-0.3%)
FT-A World Index	N/A	
Nikkei	17,822.56	(-382.08)
New York:		
Dow Jones Ind Ave	3,378.44	(+6.23)
S&P Composite	412.17	(+0.76)

US CLOSING RATES

Federal Funds:	3⅝%	(4%)
3-mo Treas Bills: Yld	3.768%	(3.795%)
Long Bond	101⅛	(100½½)
Yield	7.895%	(7.912%)

LONDON MONEY

3-mo Interbank	10⅛%	(10¹⁄₁₆%)
Liffe long gilt future:	Jun 99½½	(Jun 99⅞)

NORTH SEA OIL (Argus)

Brent 15-day (July)	$20.875	(20.475)

Gold

New York Comex (May)	$338	(338.4)
London	$338.75	(338.1)

STERLING

New York:		
$	1.79485	(1.825)
London:		
$	1.881	(1.828)
DM	2.945	(2.9425)
FFr	9.8775	(9.88)
SFr	2.6775	(2.7025)
Y	234.8	(236.5)
£ Index	92.7	(93.1)

DOLLAR

New York:		
DM	1.637	(1.61275)
FFr	5.496	(5.422)
SFr	1.4887	(1.4825)
Y	136.18	(129.5)
London:		
DM	1.6345	(1.609)
FFr	5.485	(5.405)
SFr	1.4865	(1.479)
Y	128.95	(129.35)
$ Index	64.0	(63.4)

Tokyo close Y 129.78

O&Y's Canary Wharf in administration

By Robert Peston

CANARY WHARF, the East London office development owned by Olympia & York, will today go into administration under UK insolvency procedures.

The appointment of partners from the accountancy firm, Ernst & Young, as administrators will send tremors through the UK property market, especially the new developments in London's docklands. It may mean the Jubilee Line underground rail extension into East London will not be built.

The filing may also spell the end of the government's plans to move more than 2,000 civil servants to Canary Wharf. In addition, 12 international banks face losses estimated at £600m on loans of almost £1.2bn to the project.

The UK prime minister, Mr John Major, has been informed of the banks' decision. Mr Pen Kent, an associate director of the Bank of England, has also been kept informed of developments.

At a meeting yesterday afternoon, two UK banks, Barclays and Lloyds, and four Canadian Banks, including Canadian Imperial Bank of Commerce, Royal Bank of Canada and Bank of Nova Scotia, voted to put O&Y Canary Wharf Holdings into administration.

However, Citibank of the US, Credit Suisse of Switzerland and Credit Lyonnais of France voted to provide Canary Wharf with sufficient funds to continue as a going concern.

There was little debate at the bankers' meeting. The banks' representatives had been given their instructions by the chairmen of their banks.

Nonetheless, until late last night there was still a question about whether Canary Wharf would be put into receivership. That would mean its chances of re-emerging as a going concern would have been far worse than under administration. The banks decided to make the move for two main reasons:

● It was a "condition precedent" of their providing new money that the government rent space at Canary Wharf for more than 2,000 civil servants. However, some banks became tired of waiting for a firm commitment from the government.

● A legal obstacle arose in Canada, which could have prevented the banks being granted new shares in Canary Wharf as a going concern. They wanted the shares as compensation for any new money they put up.

If the banks had decided to keep the project as a going concern, they would have had to provide £20m immediately for Canary Wharf's needs in the coming few weeks and a £500m bank facility to meet its longer term requirements. The £500m requirement was far more than banks had thought earlier that they needed to provide.

Some banks hope that Canary

Continued on Page 16

United Nations asked to consider oil embargo to support Bosnia

EC agrees to ban trade with Serbia and Montenegro

By David Buchan in Brussels, Laura Silber in Belgrade, Michael Littlejohns in New York and Quentin Peel in Bonn

THE 12 European Community countries yesterday agreed to impose a trade embargo on Serbia and Montenegro, and asked the United Nations to consider imposing an oil and financial embargo.

The EC move came as Bosnian leaders appealed for foreign military intervention after Serbian shells killed at least 20 people and wounded 80 as they queued to buy bread in Sarajevo.

Ms Envera Selimovic, a journalist for Bosnian radio, reached by telephone, said: "It was horrible, unimaginable. There were people lying wounded and missing arms and legs. The street was a river of blood."

In Brussels, the Twelve also agreed to freeze their national exports credits and scientific co-operation with Serbia and its ally, Montenegro, in protest at Belgrade's failure to stop Serbian attacks in Bosnia.

The ambassadors of the Twelve agreed to ask the UN Security Council to widen the Community trade embargo and to examine the possibility of a UN-sanctioned oil embargo. They also proposed a UN freeze on Serbian and Montenegrin assets, as well as a UN ban on financial transactions with Serbia and Montenegro.

France initially resisted a call for an oil embargo and successfully argued that Community sanctions should not extend to airline links, because these might be useful for humanitarian aid.

In New York, the Security Council discussed proposals for mandatory sanctions against Serbia and delegates said they expected a decision within days.

Sanctions may boost support for Milosevic................Page 2

Sir David Hannay, the British delegate, declined to disclose details of a possible resolution except to say that an oil embargo was "obviously one of the measures under consideration".

He seemed to imply that oil might be excluded initially when he added that sanctions could be adopted in two stages.

Germany, however, called for sweeping sanctions against Serbia to be imposed by the UN, and attacked those members of the EC – including France – which failed to support them.

In his most forthright intervention to date, Mr Klaus Kinkel, the new German foreign minister, sent a letter to EC members of the UN Security Council – Britain, France and Belgium – as well as to Mr James Baker, US secretary of state, calling for full-scale UN sanctions.

But UN sources said civil aviation, trade and possibly sports contacts would be the first areas to be covered under the terms of chapter VII of the Union charter, which would make them mandatory on all UN member states.

The EC trade embargo would apply to all goods except oil. Services such as air transport are also excluded. Germany and Italy have denied landing rights to JAT, the Belgrade-based airline. Spain resisted cutting sporting ties with Belgrade, which might take Yugoslav teams out of this summer's Olympics Games in Barcelona.

The cumbersome mechanics of enshrining trade sanctions in a Community regulation mean it might have to await the next Council of Ministers meeting – that of education ministers on Monday – for formal approval, which could also come in the form of a written approval from EC governments.

Yesterday's UN discussion was termed "of a very preliminary kind" that would lead to concrete proposals in a day or two.

The Soviet Union appeared to be unenthusiastic and the Chinese representative told correspondents he had received no instructions from Beijing.

UK prime minister John Major (left) chats to Czech president Vaclav Havel in Prague as Britain agreed to the EC action against Serbia and Montenegro. Major in Prague, Page 2

US wants ex-soviets to join arms trade council

By Nancy Dunne in Washington

THE BUSH administration is proposing the establishment of a multilateral co-operation council on which its western allies and its former eastern bloc adversaries would work jointly to screen sales of sensitive technology to unstable or outlaw regimes.

The plan was put forward by Mr James Baker, the US secretary of state, in a letter to the foreign ministers of the 16 other western countries which belong to the Co-ordinating Committee on Multilateral Export Controls (Cocom). It is expected to be discussed at a high-level Cocom meeting in Paris next Monday and Tuesday.

US concern has veered increasingly towards the need for controls on trade in weapons, military and "dual-use" technologies to often-hostile governments like Iraq, Libya and North Korea.

The Gulf conflict, the collapse of the eastern bloc, and the emergence of hard currency-starved former Communist governments – which might be tempted to sell off their surplus weapons – intensified US concerns.

Terming his proposal "a major undertaking", Mr Baker envisages the co-operation council as a forum to "engage the central and eastern European states and the former Soviet Union in a dialogue on the control of sensitive technologies". It would be modelled "somewhat after Nato's North Atlantic Co-operation Council".

Mr Baker said the new council should provide the technical

Continued on Page 16

UK companies urged to review boardroom practice

By Norma Cohen, Michael Cassell and Alison Smith

THE MANAGEMENTS of British companies would have to defer more decisions to non-executive directors and give more information to shareholders under proposals unveiled yesterday after a far-reaching review of corporate governance.

The Committee on Financial Aspects of Corporate Governance was chaired by Sir Adrian Cadbury, head of ProNed, an organisation which promotes the role of non-executive directors, and former chairman of Cadbury Schweppes.

The proposed reforms are almost entirely voluntary. The Cadbury committee, however, proposed that they be given immediate force through a new listing requirement to be adopted by the London Stock Exchange.

This would require companies, beginning with their 1992 accounts, to disclose the extent to which they comply with the recommendations and to explain non-compliance where it occurs.

Sir Ron Dearing, a member of the Cadbury committee and chairman of the Financial Reporting Council, the UK umbrella organisation for accountancy bodies, said yesterday the group might urge that some of its recommendations be made statutory if companies did not adopt the voluntary code.

A monitoring committee will be established to review compliance. Sir Ron said: "If companies do not back our proposal we believe that there will be increasing pressure for legislation and external regulation which will be less effective than the approach we recommend." At the heart of the recommendations is a code of practice for boards of directors which covers matters ranging from the structure of remuneration and audit committees and disclosure of performance-related pay to the role of directors in preparing annual accounts.

Details ....Page 9
Editorial Comment ....Page 14
Lex ....Page 16

Many companies yesterday welcomed the report as a well-balanced attempt to promote higher standards of boardroom accountability and to ensure that effective self-regulation precluded the need for legislation.

Mr Neil Hamilton, the corporate affairs minister, said the report complemented and reinforced initiatives the government had already taken to improve financial reporting.

Ms Marjorie Mowlam, the opposition Labour party's corporate affairs spokesman, condemned its "lack of teeth", and said a voluntary code might amount to a "recipe for inactivity".

Sir Ron conceded that elements of the report fell short of what had been sought by many institutional shareholders. However, he said the committee believed it was crucial to make proposals that all parties could agree on in order to ensure compliance. Stronger measures might never have obtained the backing of corporate boards, he said.

Among the report's key recommendations are:

● board authority should be divided between chairman and chief executive; board structures combining the two roles should ensure the presence of a strong independent element with an appointed leader.

● the split between salary and performance-related pay, and basis for the latter, of the chairman and the highest paid UK director should be disclosed in annual accounts.

● interim financial statements should be discussed with auditors but need not be formally audited.

● audit committees should meet at least once a year with external auditors without the presence of executive directors.

● non-executives should be able to seek independent advice from outside professionals – at company expense, if necessary.

Austria	Sch30	Hungary	Ft182	Malta	Lm0 50	S.Arabia	SR9 00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3900	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9 00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

CONTENTS

FINANCIAL TIMES © FT No 31,769 Week No 22 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Sanctions may boost support for Milosevic

By Laura Silber in Belgrade

INTERNATIONAL sanctions against Serbia could increase popular support for President Slobodan Milosevic by providing a scapegoat for the collapse of the economy, according to diplomats in Belgrade.

In addition, sanctions may not stop the fighting in Bosnia-Hercegovina, at least in the short term, because Serbia, under Mr Milosevic, has financed the army by printing dinars. An oil embargo would compound already acute fuel shortages in the civilian economy, but limited domestic production is probably sufficient to meet current army needs.

An arms embargo has been in effect since last May. It has affected a once-thriving arms industry, but the Serbian-dominated Yugoslav Federal Army does not appear to be suffering any serious arms shortages.

Diplomats say sanctions would have a mixed effect on Serbia's 9.8m people. Exports to the European Community in the first quarter totalled some $700m, which represents a 35 per cent decline compared to the same period in 1991. One diplomat said: "It would obviously hurt Serbia to cut off this source of hard currency. But it is basically self-sufficient in terms of food and electricity production" because of abundant hydro-power.

However, sanctions would exacerbate the slump in industrial production. Output fell by about 20 per cent in the first quarter of the year compared with the same period last year. Mr Dimitrije Boarov, a journalist of Vreme, a Belgrade weekly, says the metal industry has already been hit hard by a shortage of spare parts and raw materials. The export of electricity would also be hit by a blockade.

Comprehensive sanctions would also be aimed at Serbia's overseas assets. Diplomats estimate that the National Bank of Yugoslavia has $1.8bn-$2.2bn in overseas assets, while $3.3bn-$5bn in private assets are held in various offshore banking centres. But as one diplomat noted yesterday: "By the time they freeze the assets, the assets would have fled."

An oil embargo would require a decision from the United Nations. Serbia imports some 4m tonnes of oil, mostly from Iran and China, and produces 1.05m tonnes per year. Mr Boarov yesterday dismissed Serbian claims that it receives 22 per cent of its oil needs from Russia.

Despite petrol queues, Mr Boarov said the government had not introduced rationing.

French trade surplus at record level in April

By William Dawkins in Paris

FRANCE had a record FFr7.79bn ($1.39bn) trade surplus last month, thanks to continued growth in industrial exports. It was the fourth consecutive monthly surplus and brings to FFr12.8bn the seasonally corrected surplus since the beginning of the year – a sharp swing from the FFr16.49bn deficit in the same period of 1991.

Exports last month rose by 2.6 per cent over the March level to FFr109.66bn, while imports fell by 3.6 per cent to FFr101.87bn. The surplus on the industrial account was FFr5.65bn, against a FFr119m deficit in March.

Mr Michel Sapin, finance minister, said the surplus underlined French companies' competitiveness. Their performance has been strongest in other European Community countries, with which France recorded a FFr6.03bn surplus last month, after a FFr2.26bn surplus in March.

Yeltsin pledge to pull troops out of Moldova

MOLDOVA and Russia yesterday both made 11th hour efforts to pull away from open war over Moldova's breakaway region of Trans Dnestr, write Chrystia Freeland in Kishinev and John Lloyd in Moscow. President Boris Yeltsin promised to withdraw the most likely casus belli, the Russian-controlled 14th Army, which on May 19 openly entered the battle on the side of the separatists in the predominantly Slavic region.

"Don't worry, there won't be a war. We will pull back the 14th army to Russian territory and will not permit Russia to be dragged into war," Mr Yeltsin said, according to the Interfax news agency, during a tour of the remote Altai region of Russia. There was no Russian military confirmation.

The highly industrialised Trans Dnestr region declared independence in 1990 under the leadership of Communist hardliners.

The Moldovan parliament meanwhile sought to soothe the fears of Russian and Ukrainian inhabitants of the Trans Dnestr that they might soon find themselves living in a new Romanian province. It promised a law which would require all changes in Moldova's national status to be confirmed by a referendum.

The parliament had passed a resolution demanding the "immediate and unconditional withdrawal of the 14th Army" which it characterised as an occupation force. But it rebuffed pressure from nationalists to declare martial law and affirmed its desire to resolve the conflict through political channels.

Nonetheless, Moldovan authorities were sceptical about Mr Yeltsin's reported promise. There have been three ineffectual meetings between foreign ministers from Moldova, Russia, Romania and Ukraine, and the Moldovans believe the Russian Defence Ministry, rather than the Russian president or Foreign Ministry, is egging on the 14th Army.

The avowals of goodwill on both sides are to be tested tomorrow when the foreign and defence ministers of Moldova, Russia, Ukraine and Romania are due to meet again in Kishinev. This is to be followed in the near future by a summit of the presidents of Moldova, Ukraine and Russia.

New marching orders for Red Army

Russia has bowed to the inevitable by breaking ranks, writes **Leyla Boulton** in Moscow

THE 50-year-old Russian officer in the Central Asian garrison wept on hearing the news. But, however painful the decision, President Boris Yeltsin was bowing to the inevitable when he ordered the creation of a Russian army earlier this month.

After the Soviet Union's collapse in December, Mr Yeltsin and a handful of other republic leaders had good political and economic reasons to try to preserve the Red Army as a united force for the Commonwealth of Independent States. Reality – including Ukraine's moves to build its own army – obliged the Commonwealth's biggest republic to abandon the idea. "Yeltsin simply did what was necessary to terminate the anomaly of an army without a state," explained one western military attache.

That decision was cemented on Tuesday when most of the CIS defence ministers agreed to dissolve their joint command over all but strategic nuclear weapons, opening the way for the navy and air force, too, to be divided among the states.

But as men who have spent most of their lives serving the Soviet Union come to terms with the idea of serving a new, Russian, homeland, politicians and commanders face a mountain of problems in transforming the world's largest conscript army into one or more national armies.

Moscow must engage in tough negotiations with the outlying republics on who gets what men and equipment and the conditions on which troops financed by it will remain outside Russia, either to defend borders, or until they can be brought home.

"They can't simply abandon troops outside Russia. They've got enough armed orphans running around the country as it is," said the military attache.

President Yeltsin has promised to bring troops back quickly from republics where they risk being sucked into local wars. Yesterday he ordered the recall of the 14th army from Moldova.

But it is likely that virtually all republics will negotiate to keep some Russian troops on their territory. This the defiant Baltic republics, which are pressing for an instant withdrawal of the Red Army but will need outside troops to man the radars which are part of the former Soviet Union's early warning systems against US long-range nuclear missiles.

The hardline leaders of Central Asian republics will push for their own armies for the first time – having drawn their own conclusions from the failure of Tajik President Rahmon Nabiyev to convince CIS troops to mow down the political opponents who seized control of his government only a few weeks ago. But they, too, will probably retain some Russian assistance for defending strategic borders with countries such as Afghanistan.

For all the political hazards, the main challenge will be coping with officers' plunging living standards and morale. The problem is not so much preventing a military coup but ensuring discipline and incentives for men to obey orders under whatever government they find themselves.

Draft-evasion has reached epic proportions: only 30 per cent of recruits are expected to show up this spring. Officers' main complaints are about housing shortages, and difficulties of making ends meet.

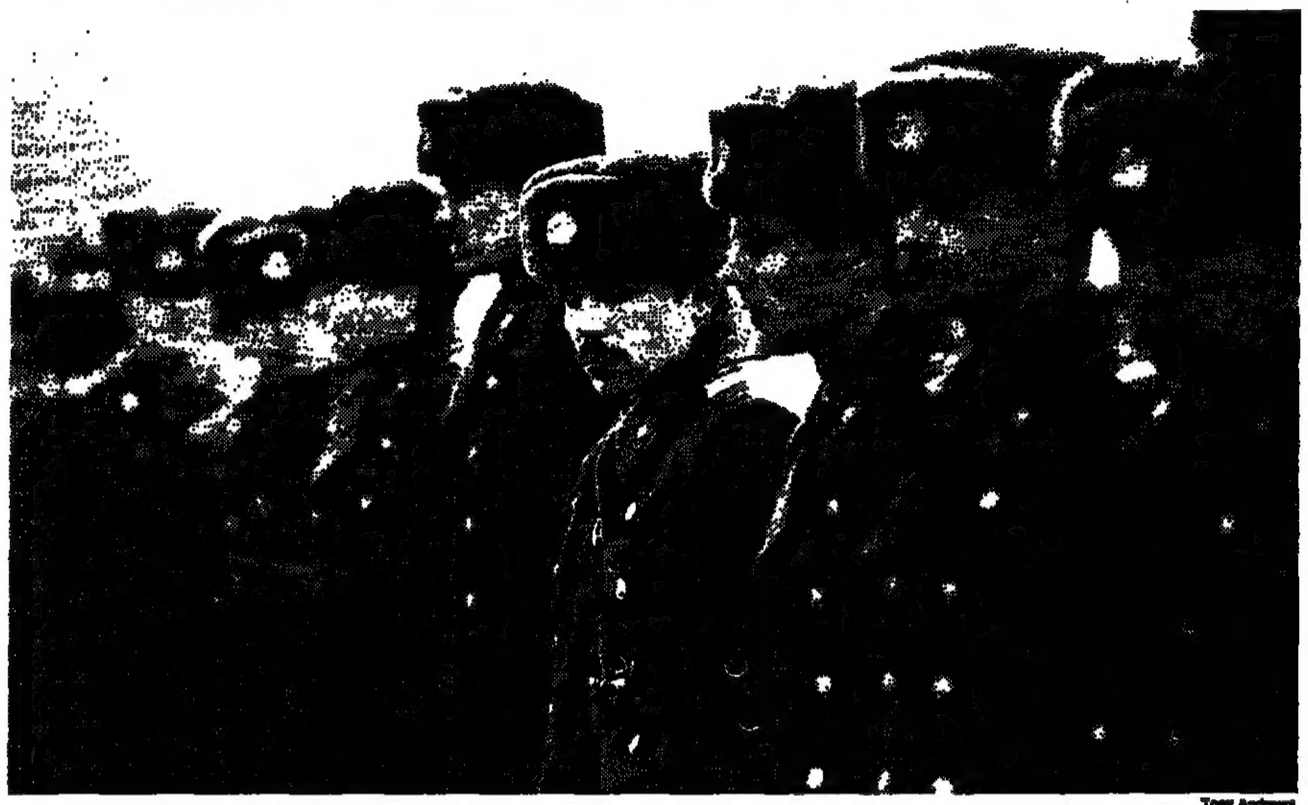
"Do you have majors in the west who are beggars?" asked one officer, who, after 14 years of service, lives in a single room with his wife and two teenage children, and shares a bathroom and kitchen with two other families. In a typical struggle for survival, he moonlights to supplement a monthly salary of Rbs3,400 and is indignant that bus drivers earn twice as much. His savings of Rbs6,000 have been made worthless by market reforms which began with price liberalisation this month.

The pain will only get worse with plans for sharp cuts in personnel as part of the government's aim of creating a semi-professional force of 1.5m men by the year 2000, down from the 2.63m currently included in the fledgling Russian army. The pressures are already clear: the target for 1.5m men was pushed back by four years just days after it was announced for 1996.

The aim is to move away from the entrenched Russian tradition of having a professional officer corps side-by-side with low paid and humiliated "serf-conscripts".

But the creation of a professional army, put by General Pavel Grachev, the defence minister, at Rbs1.5 trillion (million million) will cost even more money to maintain than the present system and is unlikely to go smoothly or easily. "One wants to believe in all this, but it is difficult," said the officer. "They have promised us so much already."

Competing for resources will be plans to switch Russia's heavily militarised economy into one capable of turning out both more civilian goods and better weapons.



Tony Andrews

Deep concern in the ranks as Russia prepares to establish its own army

Fiat deal demands by Polish unions

By Christopher Bobinski in Warsaw

LAST-MINUTE union protests have dogged talks – expected to end today – between Fiat and the Polish government on the sale to the Italian motor company of a majority share in the FSM car plant.

Union leaders at the Tychy plant, one of two in the FSM combine, were continuing to insist yesterday on being consulted about the terms of the agreement which Mr Giovanni Agnelli, Fiat's chairman, is expected to sign in Warsaw today.

FSM at present produces Fiat's new Cinquecento model at Tychy as well as the 1970's Fiat 126 car at Bielsko Biala.

Government officials are due at FSM in southern Poland today to outline the agreement to union representatives who are demanding there be no immediate job losses as a result of the deal. Three unions – Solidarity, the OPZZ (the old pro-Communist movement), and Solidarity 80 (a radical group) – are co-ordinating their protest at Tychy, which employs 7,000 of the factory's 23,000 workers.

Tychy's unions are also demanding that the share of production costs devoted to wages remain at the same level as in Fiat plants in Italy and elsewhere.

Under the deal, which was provisionally agreed last week, Fiat will invest $2bn and will ultimately control 90 per cent of the company's equity. It will be taking responsibility for FSM's outstanding foreign currency debts worth $500m, as well as sums due to domestic suppliers worth more than $200m. Fiat will add $180m into the company's capital and will cover FSM's losses for the next four years. Fiat has also promised to make new investments worth $850m.

EBRD decides on strategy for Russia

The European Bank for Reconstruction and Development (EBRD) has agreed a strategy for Russia which will concentrate on funding financial sector reform, privatisation, the conversion of military industry, energy projects and agro-business, writes **Anthony Robinson, East Europe Editor.**

Mr Jacques Attali, EBRD president, told a European Community-organised aid conference in Lisbon last week that the bank was authorised to devote up to 40 per cent of its resources to projects in the former Soviet states and up to Ecu4bn ($4.96bn) of its own funds to projects in Russia and the other republics over the next three years.

UK and Prague to strengthen ties

By Philip Stephens in Prague

BRITAIN and Czechoslovakia yesterday agreed to intensify political and military co-operation to draw the former communist state gradually into the west's security framework.

A joint declaration signed by Mr John Major, the UK prime minister, and President Vaclav Havel also laid to rest the lingering ghost of the pre-war cession to Germany of the Czech Sudetenland. The declaration explicitly recognised that the Munich agreement which the Czechoslovak government was forced to sign with Adolf Hitler in 1938 was null.

Previous British prime ministers have apologised for their country's signature of the Munich agreement. But the formal renunciation, requested by Mr Havel, reflects the continuing concern of central European countries that the west should underwrite their present borders.

Mr Major, whose visit to Prague and Bratislava yesterday embraced talks with the Czech and Slovak leaders contesting next month's elections, again underlined his commitment to eventual EC membership for Czechoslovakia, Poland and Hungary.

The declaration stated: "We are determined to co-operate in helping to create the political and economic conditions necessary for the accession of the Czech and Slovak federal republic to the European Community."

Speaking at a joint news conference with Mr Havel, Mr Major indicated that Britain was not ready at present to give the same commitment to back Prague's aspirations to join Nato. The joint declaration said the two governments would intensify consultations on the security issues dealt with by Nato and the Western European Union. That would mean strengthened military relations on both a multilateral and a bilateral basis.

Mr Major, who had a long discussion with Mr Vaclav Klaus, the federal finance minister, on Czechoslovakia's extensive privatisation programme, was drawn into the country's intense general election campaign when he was asked to comment on the possible secession of Slovakia from the Czech lands. Without offering a direct judgment, on the implications of such a split for relations with the west, he made clear that a divided Czechoslovakia would find it harder to meet the conditions for EC entry.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Germans fail to agree funds for unification

By Quentin Peel in Bonn

GERMANY'S government and opposition yesterday failed to narrow their differences on the crucial question of how to finance German unification, whether by increased taxation or drastic budget cuts.

Top-level talks between Chancellor Helmut Kohl, his coalition partners, and the opposition Social Democrats (SPD) left the two sides "living in two different worlds", according to Mr Björn Engholm, the SPD leader.

Yet the leading political parties, shaken by a series of election results showing growing public disenchantment with all of them, agreed to co-operate on two key subsidiary issues: reforming property laws to encourage private investment in the former East Germany; and accelerating moves to control the influx of asylum-seekers and refugees.

They also agreed to ensure the necessary constitutional changes to ratify the European Community treaty on political and monetary union – while leaving the fine details to negotiations between the central government and the 16 federal states.

Mr Theo Waigel, the finance minister, was adamant he could control the government's budget deficit through rigorous savings, keeping public spending growth to 3 per cent, but Mr Engholm said costs were being underestimated.

European Commission report reveals variations of more than 40 per cent for some models

Brittan warns car makers on large price differences

By Kevin Done, Motor Industry Correspondent

SIR Leon Brittan, the European Community competition commissioner, has warned car makers that action is needed to reduce price differentials between different European markets.

In a letter to car makers he has warned that the Commission has decided that "action is needed at once" both to monitor car prices more closely and to reduce differentials.

A controversial study prepared for the European Commission and published earlier this month shows that there have been substantial price differences for some car models across the Community of more than 40 per cent in the most extreme cases.

According to the EC report five car makers, Ford, Honda, Citroën, Mazda and Audi, had at least one model with price differences greater than 40 per cent in one of the five time periods selected for study between January 1988 and January 1991.

The study's findings have come under heavy attack from car makers, but in his letter Sir Leon has made clear that car makers must take steps to make there European pricing policies more transparent, if they wish to retain the present selective car dealer distribution system in Europe.

This system is presently allowed under a 10-year exemption from EC competition regulations, but this so-called "block exemption" is due to expire in 1995.

Sir Leon accepts in the letter that the pricing study has not established the linkage between high price differentials and selective distribution "beyond doubt".

The decision on the future of the "block exemption" beyond 1995 would be based on "a full evaluation of the strengths and weaknesses of the selective distribution system as it currently operates, and not just the price issue".

He warns, however, that the current pricing situation is a "cause for concern" and says that "the evolution of prices over the coming period will be an important factor in the decision."

Public confidence had to be increased that "the selective distribution system is fully compatible with a true single market."

● Exports of German cars and commercial vehicles rose by 21 per cent in the first four months of the year, writes David Waller from Frankfurt.

Leon Brittan: action needed at once on monitoring

Nato hopeful on defence roles deal

By David White, Defence Correspondent, in Brussels

MR Manfred Wörner, secretary-general of Nato, expressed optimism yesterday that the alliance would resolve its row over the role of the new European corps being set up by France and Germany.

His statement at the end of a two-day meeting of Nato defence ministers – not including France – came amid increasing signs of reluctance by other European allies to commit themselves to joining the corps, as Bonn and Paris have invited them to do.

"I have no doubt that in the end we will find satisfying solutions, not only for France and the US but for all of the allies," Mr Wörner said.

Much would depend on the detailed arrangements for the new 35,000-man corps, he added.

Several allies including the UK and the Netherlands, have voiced concern that the Franco-German plan could undermine the transatlantic alliance.

Mr Dick Cheney, US defence secretary, said Washington still had some "unanswered questions about the new corps". Foremost among these was how it would fit in with the role allotted to the Western European Union as the vehicle for developing Europe's defence interests.

Belgium is seen as one of the most likely candidates for an expansion of the Franco-German initiative.

But Mr Leo Delacroix, its defence minister, said it would join only if the corps were placed clearly under the political authority of the WEU.

The military units which Belgium is considering assigning to the corps would be the same as it is earmarking for Nato's new rapid reaction forces.

Spain, which like France stands outside Nato's integrated military command, remains interested in the Franco-German initiative, while Italy said it did not intend to join the corps but would make other units available to the WEU.

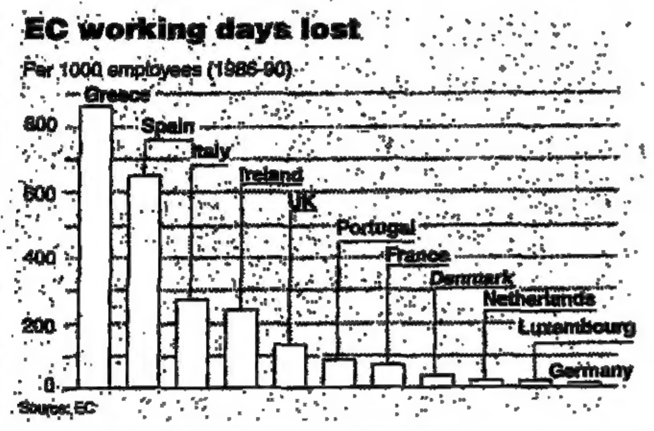
Belt-tightening of EC integration underlies labour unrest

Governments and employers can no longer rely on deficits and devaluation to ride wage rises, writes **David Goodhart**

THE "hot spring" of continental Europe's labour unrest reaches its climax over the next two days with a half-day general strike in Spain today and widespread disruption expected in Italy tomorrow.

Over the past few weeks action, or threatened action, by German workers has stolen most of the headlines but there have also been strike waves in France and the Netherlands.

If there is any trend underlying these disputes it is labour disquiet at the belt-tightening consequences of European economic integration.



With Europe's main currencies increasingly tied together, the structurally weaker countries with inflationary bargaining systems, especially in southern Europe, can no longer keep their prices competitive with the help of devaluation. Employers in the exporting sectors thus have to tackle excessive wage rises directly.

At the same time governments are under increasing pressure to reduce public sector deficits, and thus control public sector pay, if they want to be founding members of European Monetary Union (EMU).

In Spain and Italy the link is direct and public. Today's Spanish strikes were triggered by the socialist government's decision to reduce unemployment benefits in the Convergence Plan it has drawn up to enable Spain to join EMU. The other main bone of contention is the government's intention – also in its Convergence Plan – to freeze subsidies to state industries, at current levels which will force many big employers to make redundancies.

In Italy, where there will be strikes on the railways and possibly in the engineering sector, the argument is over the reform of the *Scala Mobile*, which index-linked wages. The unions recognise that formal wage indexation is unrealistic and agreed that the system should go into abeyance at the start of this year. However they believe that one extra month is payable under the old system and are flexing their muscles before talks with Confindustria, the industrialists association, next month.

In Germany the public sector pay dispute, resolved earlier this month, was also indirectly about convergence. The German government has to keep a tight rein on public spending to be able to pay for reunification without disrupting the route to EMU.

The German unions recognise that and privately even accept that real earnings in west Germany will have to fall over the next few years to allow living standards in east Germany to be raised. However both the public sector workers and I G Metall in the engineering sector believe that the costs of reunification should be shared more fairly and that high earners and business should pay more.

This is a political argument. The unions are taking it up because of the weakness of the German Social Democrats.

There is a similar politicisation of the unions in Spain and, to a lesser extent, Italy. In Spain the government is nominally socialist but it is pursuing conservative policies with little effective political opposition. For that reason the two main union confederations – the socialist UGT and the communist CCOO – believe they have a political mission to defend labour.

In Spain the unions are far less able to fulfil that role than in Germany or Italy where numerically and institutionally the unions remain much stronger. In Spain and France the unions organise scarcely 10 per cent of their respective workforces. Some progress is being made in Spain and Italy to reduce the political and religious rifts within the union movement but in France the problems seem as bad as ever.

In France, the communist CGT is losing its majority on some of the most politically important works councils in France, such as at Renault, and is struggling to keep its power at the RATP Parisian public transport authority.

Mr Franz Steinkühler, leader of Germany's I G Metall, caused dismay among French union officials when he observed recently that the French unions are the weakest and most divided in Europe. As convergence pressures mount in Europe's labour markets the French government may have reason to be thankful.

Additional reporting by Peter Bruce in Madrid, Robert Graham in Rome and William Dawkins in Paris

A general strike in protest at government economic policies is expected to cause widespread air, rail and road traffic chaos in Spain today, Peter Bruce writes from Madrid.

Unions, angry at deep cuts in unemployment benefits, have insisted they will not provide public transport services ordered by the government after the two sides failed to agree on minimum services. The battle over minimum services has become the immediate focus of the strike, which is due to last from 5am until noon. Its success, both sides concede, will initially be measured by the number of people able to get to work.

Madrid has set minimum commuter train services at 40 per cent of normal service and, in the capital, insists 40 per cent of public buses should run. Iberia, the Spanish national airline, said it had cancelled nearly 100 domestic and international flights for the morning.

Rabbi killed as Arab-Israeli clashes increase

By Hugh Carnegy in Jerusalem

A RABBI was stabbed to death by a Palestinian at a Jewish settlement in the Gaza Strip and a Palestinian woman was shot dead by soldiers in the West Bank yesterday.

They were the latest victims in the surge of violence in Israel, the occupied territories and Lebanon which has overtaken the campaign for the Israeli general election on June 23.

The attack on Rabbi Shimon Biran, a resident of the settlement of Kfar Darom, followed a similar fatal knife attack by a Gazan Arab on a 15-year-old Israeli schoolgirl in Bat Yam, near Tel Aviv, on Sunday.

The killings, combined with a wave of Israeli air strikes on Moslem fundamentalist guerrillas in Lebanon, provoked heated debate between Israel's ruling Likud party and the opposition Labour party over security, traditionally a central issue in Israeli elections.

Gangs of armed Jewish settlers in Gaza went on the rampage against Palestinian property and beat at least two people in revenge for the Rabbi's death. The army doubled a three-day order closing all exits to Israel from Gaza. Later, in an unconnected incident in the West Bank town of Jenin, a 55-year-old woman was shot dead when soldiers opened fire after their bus was stoned.

Labour has strongly attacked the Likud over the stabbings, saying that the government was neither in control of security nor making progress towards a peace settlement that might ease the problem. In the past, Labour tended to lose out to the more hardline Likud on security matters. But under Mr Yitzhak Rabin, a former chief of staff and defence minister, it now has greater confidence in confronting the issue.

Mr Rabin has publicly warned the government against trying to exploit security concerns for electoral gain following a spate of air strikes in Lebanon of unusual ferocity, in one of which two small girls and their mother were killed.

Mr Moshe Arens, the defence minister, yesterday strongly denied that political considerations formed any part of operational decisions. But, in a briefing for foreign journalists, he came close to admitting that the Likud might benefit from incidents like those of the past few days. In the past, he said, such events had produced a "more realistic view" among Israelis about the dangers facing them and the need for strong government.

Death toll rises in Lebanon fighting

By Lara Marlowe in Beirut

THE TOLL from eight days of fighting between Israel and the pro-Iranian Shia Moslem Hizbollah in Lebanon rose yesterday to 20 killed – half of them civilians – and 55 wounded, provoking the US State Department into issuing its customary appeal for restraint.

The risks for all sides are considerable if the conflict is allowed to escalate. Casualties incurred by Israel if it launched a ground offensive could not easily be borne by a government fighting an election campaign. Hizbollah would risk losing Syrian support and the already strained tolerance of the Lebanese if it incited more massive Israeli reprisals by breaking its February pledge not to fire Katyusha rockets into Israel.

And despite a statement by Mr Farouk Al-Sharaa, the Syrian foreign minister, that Syria was "ready to confront Israel if it imposes war", Syrian soldiers were reportedly ordered not to fire their surface-to-air missiles this week at the first Israeli jets to fly over their positions in Baalbek in two years.

Meanwhile, the government in Beirut appears to have little say in what is happening in the south of its country. While the cabinet debates the issue, thousands more refugees have taken to the road and the country's currency and economy have been further undermined by the instability in the south.

Ayatollah Ali Khamenei, Iran's spiritual leader, this week exhorted the Lebanese "to resist the savage Zionist aggression". Tehran has invested 10 years of effort, many millions of dollars and its revolutionary credentials in the Hizbollah. To abandon them now would be humiliating for the Islamic Republic.

Syria might be prepared to limit the activities of Hizbollah if a deal could be struck with Israel for the return of the Golan Heights, but Arab diplomats say Damascus is disillusioned by Israel's refusal to trade land for peace and is not about to make conciliatory gestures while the peace talks are in the doldrums. Hizbollah members privately acknowledge they would be satisfied with an end to the Israeli occupation of southern Lebanon.

Although Katyusha rockets were fired into northern Israel in the aftermath of the Israeli assassination of Sheikh Abbas Musawi in February, Hizbollah has otherwise limited its operations to Israeli and Israeli surrogate targets inside the borders of Lebanon.

The US and Israel say that the disarming of Hizbollah must precede any consideration of an Israeli withdrawal from southern Lebanon, despite a 14-year-old United Nations Security Council resolution requiring the "immediate and unconditional withdrawal" of all Israeli forces from Lebanon.

Kabul leader may stay on

By Farhan Bokhari in Islamabad

AFGHAN interim President Sibghatullah Mojaddedi yesterday hinted that he might not step down when his two-month term of office expires at the end of next month. Public demand, he said, might require him to continue.

His remarks come at a time when Afghans are debating whether the continuation of his term would promote peace in the embattled country. Under current arrangements, he is due to hand over to a new administration prior to national elections.

In Islamabad on the second day of a visit to Pakistan Mr Mojaddedi said many were asking him to remain, though it was not his intention to stay on for as long as two years.

● Afghan mujahideen guerrillas who took power in Kabul late last month may have killed and tortured dozens of former government officials and security force members, Amnesty International said yesterday, Reuter reports from London.

Amnesty, the London-based human rights organisation, said it had received unconfirmed reports of guerrillas killing up to 40 security force members who had been taken prisoner on April 30.

Gadaffi regime seen as least of many evils

Showdown with the west strengthens Libyan leader's hand, writes **Julian Ozanne**, recently in Tripoli

IN THE souks and the narrow, rundown streets of Tripoli's old town the mood of Libya's organised revolutionary youth is still defiant.

Under a brightly painted billboard displaying a romantic portrait of Colonel Muammer Gadaffi, or "the leader" as he is known in Libya, crowds of angry young men gather to vent their rage.

"Even if America and England bomb Tripoli again and kill our people we will not give up," said one man. "They are just trying to persecute us and we won't agree to their demands. Never."

But in the upper echelons of Libya's internationally isolated ruling clique the defiance once shared by the revolutionary militants on the streets is crumbling.

Six weeks after the United Nations imposed air sanctions on Libya for its support of alleged terrorists and its possible involvement in the bombing of a Pan Am passenger jet over Lockerbie, Scotland in 1988, Col Gadaffi's 23-year-old regime is seeking a face-saving compromise with the west.

Intensive efforts by Arab states, in particular Egypt, have helped to push the regime towards conciliation. Cairo, with up to 1m Egyptians working in Libya, is particularly anxious to avoid any destabilising fallout from conflict between Tripoli and the world.

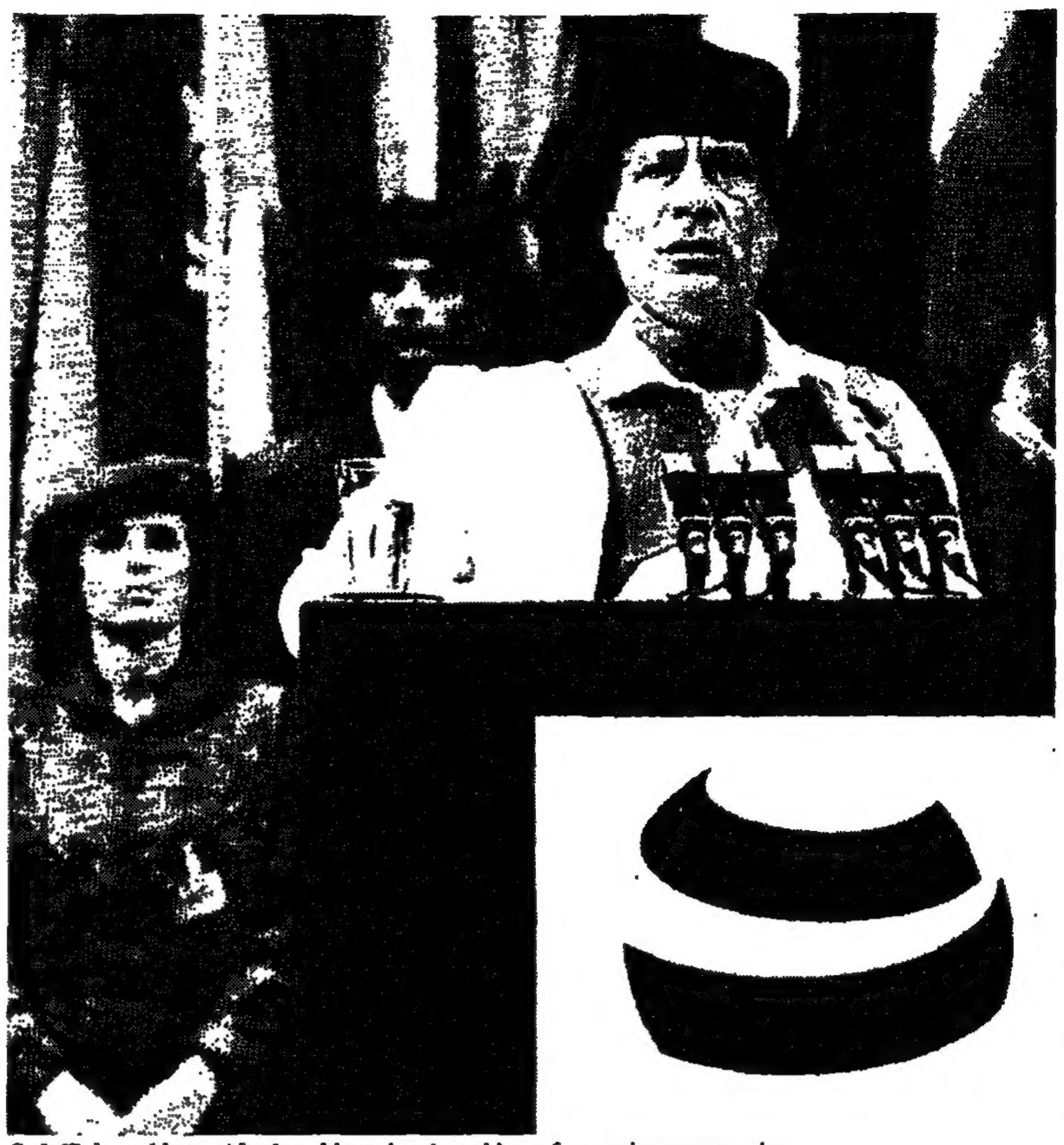
In the face of such pressure Libya has already announced it would implement a UN security council resolution which, in the words of the official statement, would mean "the categorical renunciation of terrorism in all its forms and whatever its sources are".

The Libyans have agreed to cut all links with terrorist groups and invite UN monitors to verify that Libya was not training any terrorists on its soil. Col Gadaffi has also indicated he is willing to disclose details of Libyan links with the Irish Republican Army in Britain.

The problem with Libya's latest position is that it still leaves open the matter of the two suspects in the airliner bombing. The UN has said they must stand trial in Britain or the US.

In an interview, Col Gadaffi said that the matter did not concern the Libyan state but was a problem for the two men and their lawyers.

Another possible face-saving way out for Col Gadaffi is the national debate which is being held in the "people's conferences" which will decide within two weeks whether to change Libyan law to allow the two suspects to be extradited – a decision which will appear to have been taken outside Col Gadaffi's circle.



Gadaffi: bowed but not broken, his regime is seeking a face-saving compromise

For the moment the impact of air sanctions against Libya appears largely psychological. Life in Tripoli is normal. Foreign businessmen, mostly oil men, continue to arrive in the sleepy capital. The markets are full of fresh fruit, vegetables, eggs and meat. Ships and passenger ferries glide across Tripoli bay into the port.

Most Libyan businessmen have adapted easily to making the four-hour drive on good tarmac roads to Djerba, in neighbouring Tunisia, to catch an international flight, or to taking a catamaran to Malta.

However, faced with the prospect of either maritime sanctions or an embargo on Libyan oil exports, which provides more than 90 per cent of the country's $3bn foreign earnings, many Libyan businessmen and political observers believe that the two suspects will stand trial in the west, probably in Scotland.

"Libya is a small country dependent on the west for experts and technology," said one Libyan businessman. "There is no way we can risk being cut off even though most people here believe it is neither fair nor legal. It's just a matter of time and finding an honourable truce."

However, Tripoli's business community complains that since last November the Lockerbie issue has dominated the government's time and held back a sweeping economic liberalisation and privatisation programme which included laws to privatise banking and increase allocation of foreign exchange to the private sector. They say it has also strengthened the hand of the myriad and sinister security agencies by resurrecting the fears of foreign military intervention.

Optimistic businessmen believe that the regime, faced by bureaucratic incompetence, economic failure, a burgeoning black market for the Libyan dinar and its own unpopularity, was prepared to edge away from the socialist experiments set out in Col Gadaffi's "Green Book".

More than anything else they fear that a western-prompted change in the regime, which many Libyans believe is the real motive behind the current showdown, would unleash the suppressed fundamentalist Islamic movement which Col Gadaffi has kept at bay and upset the delicate tribal balance of power he has maintained.

"There is no organised or visible political opposition in Libya and no independent institutions," said one US-educated university lecturer. "The revolution has swept all that away. If Gadaffi went tomorrow there would be chaos – perhaps even civil war.

"This regime may be considered by the west as evil but for us Libyans it is the least of many evils."

On the streets the support for "the leader" is less pragmatic. Despite the squandering of Libya's oil wealth and the brutal excesses of the security forces, many Libyans, particularly the previously underdeveloped Bedouin peoples and the eastern tribes, have benefited from the revolution's progress in education, housing and health. Col Gadaffi's apparent unswerving support for the Palestine Liberation Organisation also continues to exercise a powerful pull on the "Arab masses".

Western diplomats agree that the current crisis has strengthened Col Gadaffi's hand both inside and outside the regime. "It would be a great mistake for the west to think that pressure will topple Gadaffi for a better regime," said one western envoy. "He is bowed, not broken."

ANC meets to draw up firm policies

By Philip Gawith in Johannesburg

THE AFRICAN National Congress (ANC) begins a four-day policy conference in Johannesburg today in which it will attempt to flesh out its view of the policies to be pursued by a future democratic government in South Africa.

Although the aim of the conference is to produce policy guidelines rather than details, it should provide valuable information about ANC intentions and, as it will be attended by about 700 delegates, will be a useful barometer of grassroots militancy.

The conference takes place against a background of strained relations between the ANC and the government following the stalemate earlier this month at the constitutional talks held under the auspices of the Convention for a Democratic South Africa. Yesterday, the law and order minister, Mr Hernus Kriel, said that the government's "honeymoon" with the ANC was over. In response to ANC claims that President FW de Klerk condoned township violence when the victims were black, the minister said: "It can be expected that in the future there will be reaction against unfounded attacks on the government and especially on the state president."

The business community will be watching to see the extent to which the ANC has shed its socialist baggage.

Indications are, however, that many difficult questions, like nationalisation and taxation policy, may be referred to specialist committees for study.

Japanese industrial output declines further

By Stefan Wagstyl in Tokyo

JAPAN'S industrial production fell last month for the seventh month in a row, reflecting the continuing weakness in the country's economy.

Industrial output fell 5.5 per cent compared with the month in 1991, according to figures published yesterday by the Ministry of International Trade and Industry (Miti). Despite the decline in production, inventories rose 6.2 per cent year-on-year.

A senior official from the ministry said the figures indicated that the current economic downturn could last longer than had been expected.

The government – including Miti – has been forecasting a recovery in the economy in the second half of the year. If inventory levels remain high, companies will be unwilling to raise output in time for the government's hopes to be realised.

Mr Paul Summerville, an economist at Jardine Fleming, the securities house, said yesterday's figures were an unpleasant surprise. "Production is falling but inventories are still rising. I don't know anyone who expected that at this stage."

On a month-to-month seasonally-adjusted basis, Japanese industrial production rose by 0.7 per cent, the first increase in seven months.

However, shipments fell 0.5 per cent, indicating that demand is still weak. After falling steadily since the beginning of the year on a month-to-month basis, inventory levels did not change at all in April.

The index of inventories to sales rose 0.7 per cent.

Bombay court orders liquidation of bank

By R.C.Murthy in Bombay

THE BOMBAY high court yesterday ordered the liquidation of Bank of Karad, a small private bank which owes more than Rs4bn (£76m) to Standard Chartered Bank of the UK.

At the request of the Reserve Bank of India, the central bank, the court appointed Mr S.N. Lele, an official of Bank of Baroda, as provisional liquidator for Bank of Karad.

The reserve bank had already appointed another Bank of Baroda official as chairman and asked other top executives to resign after it emerged that Bank of Karad, which had capital of Rs4.5m and deposits of Rs731.8m at March 1991, had issued Rs9bn of bankers' receipts, a form of IOUs.

Bankers' receipts are at the heart of the scandal afflicting India's financial markets. The receipts, through which a bank pledged later delivery of securities already paid for, were used as collateral to fund share purchases in Bombay's then-booming stock market.

However, many of the securities supposedly backing the receipts did not exist or had not been purchased.

Officials of Standard Chartered were surprised at the speed with which the Reserve Bank moved to liquidation proceedings. The UK bank is expected to file its claims before the Bombay high court today.

Indian legal experts say that the chances of Standard Chartered recovering even a part of the Rs4bn in the immediate future are bleak. The bank has made a £50m provision for possible losses.

Standard Chartered in Bombay refused to comment on the bank's exposure to unreconciled bankers' receipts for the interbank transactions with another bank, Metropolitan Cooperative Bank, which issued receipts for an estimated Rs5bn.

The Economic Times, an Indian newspaper, reported that the receipts were issued to Standard Chartered.

Mr S.Venkitaramanan, Reserve Bank governor, said action was being taken against Metropolitan Cooperative Bank.

India needs to double output of electricity over 15 years

By Frank Gray in Singapore

FT INDIA MUST increase its electricity generating capacity by 50 per cent in the next five years and double it from existing levels in the next 15 years if it is to stand any chance of keeping pace with demand, a senior Indian government energy official said yesterday.

Mr Shri Kalp Nath Rai, minister of state for power, told the Financial Times Asian electricity conference that an unprecedented boost in private power generation was the only way these targets could be achieved.

State electricity expansion targets have had to be sharply curtailed because of lack of funds and an ambitious legislative reform programme has been put in place to improve the role of the private sector in supplying electricity.

India had a total of 70,000MW of electricity supply capacity, but a further 48,000 needed to be added in five years and 142,000 in the next 15 year if energy shortages were to be eliminated, he said.

But the recently completed eighth five-year plan had had to be revised downward to provide for a capacity rise out of state funds of just 31,000MW. The rest would have to be made up by a fast expanding private sector.

Mr Rai said that India was better placed to meet the electricity supply challenge because, unlike most Asian nations, its power sector was already mixed between federal, state and private sector power utilities – the last represented by such companies as Tata Electric and Calcutta Electricity Supply, among others.

But until last year, the private sector was severely hampered from expansion by the Indian electricity supply act, which protected state power companies.

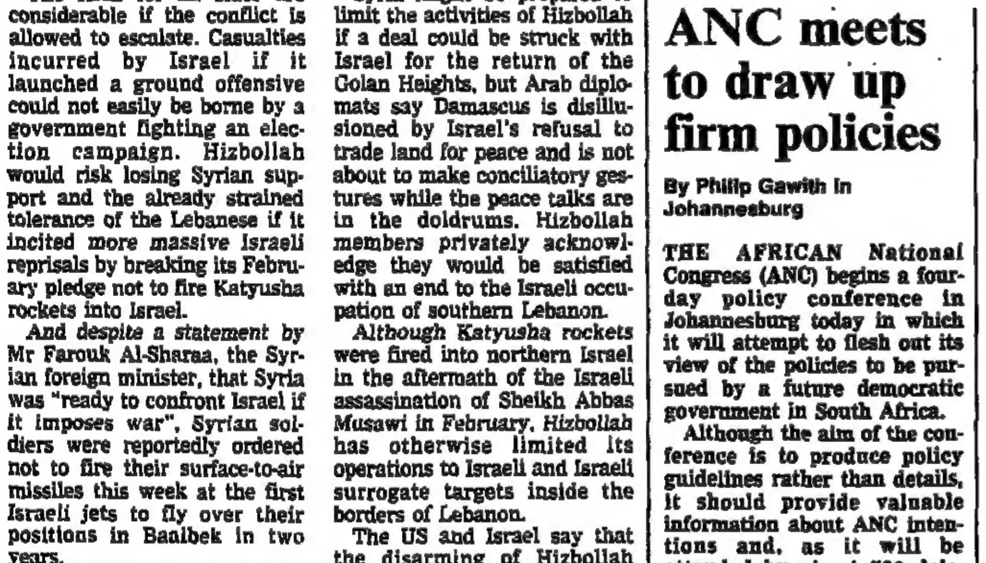
This has now been changed to allow widespread expansion, including up to 100 per cent foreign equity participation in private power projects. The government was now considering private sector proposals to add more than 9,000mw, equally divided between the Indian private sector and foreign investors.

Mr Rai's call for private sector investment was matched by that of Mr Shahd Nafeez Ahmed, Pakistan's private sector director water and power.

Pakistan's electricity supply policy had been virtually turned upside down in the last year, a move which will mean more independent power producers being able to set up in Pakistan to operate alongside the Water and Power Development Authority, the state utility, and the eventual breakup of WAPDA itself, Mr Hafeez Ahmed said.

Pakistan now had 8,312MW of capacity, which was 1,800MW below what was needed to avoid regular blackouts. To end this, several private sector build-operate-transfer (BOT) projects were now about to be implemented or were being considered. Chief among these was the 1,292MW Hab River oil-fired power project outside Karachi.

Start up of work was expected in July, but only after more than four years of negotiations between a Euro-Japanese consortium and the Pakistan government.



Bond tells of his price for Rothwells rescue

By Kevin Brown in Perth

MR ALAN BOND (pictured left), the bankrupt Australian entrepreneur, told a court yesterday that he asked for an A$20m (£8.3m) success fee for helping to arrange an A$370m rescue of Rothwells merchant bank hit by the 1987 global stock market crash.

But he said there was no agreement on the fee before he discussed the rescue with Mr Brian Coppin, a West Australian businessman who had been asked to contribute to the rescue. Mr Bond, the former chairman of Bond Corporation Holdings, denies dishonestly inducing Mr Coppin to deal in securities by concealing the existence of the fee.

Giving evidence on the third day of his trial in the Western Australian district court, Mr Bond said he was in Rome discussing a property deal when he was informed that Rothwells merchant bank was facing liquidity problems.

Mr Bond said he discussed the Perth-based bank's problems by telephone with Mr Laurie Connell, the chairman, and agreed to return to Australia to help organise a rescue in which the state government would participate.

He said the stock market crash had created a climate in which the failure of Rothwells could have had an impact on other Australian companies, including other banks.

Rothwells collapsed in November 1988 and is the focus of a Royal Commission inquiry into relationships between politicians and businessmen in Western Australia. More than 20 people face criminal charges, including Mr Connell.

Mr Bond said he also discussed the rescue with Mr Brian Burke, the Labor premier. Bond Corp agreed to sub-underwrite A$37.5m, subsequently reduced to A$25m, of a A$150m share issue to recapitalise Rothwells.

Bond Corp helped Wardley Australia, the stockbrokers, put together a refinancing deal in which Mr Connell contributed A$70m in subordinated debt, backed by the share issue.

The state government guaranteed a A$150m loan facility provided by National Australia Bank.

Mr Bond said he asked Mr Coppin to sub-underwrite the share issue for A$20m, later reduced to A$8m. He said he believed the agreement was "a sound investment", partly because of state government support.

Mr Bond said the suggestion that Bond Corp should be paid a fee was raised by Mr Peter Beckwith, Bond Corp's managing director. Mr Bond said he suggested A$20m, but Mr Connell said that was "a bit much".

Mr Connell said he would suggest a fee of A$16m to other Rothwells directors, and report back to Mr Beckwith, Mr Bond said.

He heard no more about the fee until two weeks later, when he was told Rothwells had agreed to pay A$16m. Mr Bond said Mr Coppin made no complaint when told about the fee. He said he had concealed nothing and had not been dishonest.

The trial is expected to conclude later this week.

Abilene Akron Albany
Albuquerque Alexandria
Allentown Amarillo Anchorage
Asheville Atlanta Augusta Austin
Bakersfield Baltimore Baton Rouge
Beaumont/Port Arthur Birmingham
Bloomington Boston Buffalo
Burbank Burlington Carlsbad Cedar
Rapids Champaign Charleston Charlotte
Charlottesville Chattanooga Chicago Chico
Cincinnati Cleveland College Station Colorado
Springs Columbia Columbus (Mississippi)
Columbus (Georgia) Columbus (Ohio) Corpus
Christi Dallas/Fort Worth Dayton Daytona Beach
Decatur Denver Des Moines Detroit Dubuque El Paso
Eugene Eure /Arc Evansville Fairbanks Fayetteville
(Arkansas) Fay ll rth Carolina) Flint Fort Lauderdale
Fort Myers Fort Sm Walton Beach Fort Wayne Fresno
Grand Rap reen Gree Greenville (South
Carolina) G (N aro nnison Harlingen
Harrisburg Ha n Hea Ho u ston Huntsville/
Decatur Idaho Inc polis In rn Jackson Hole
Jackson Jacksonv ina) Ja ida) Kahului
Kalamazoo Kansas leen oxville La
Crosse Lafayette (Ind Lafayette ia ake Charl e Tahoe
Lansing Laredo Las Vegas Lawton/Fort Sill Lexington Little Rock Long Beach
Longview Los Angeles Louisville Lubbock Madison Marathon Marquette
McAllen Melbourne Memphis Meridian Miami Midland/Odessa Milwaukee
Minneapolis/Saint Paul Mobile/Pascagoula Modesto Moline Monroe Monterey
Montgomery Muskegon Myrtle Beach Naples Nashville New Bern New Orleans
New York Newark Newburgh Newport News/Williamsburg Norfolk/Virginia
Beach Oakland Oklahoma City Omaha Ontario Orange County Orlando
Owensboro Oxnard Paducah Palm Springs Pensacola Peoria Philadelphia Phoenix Pittsburgh Portland Providence
Raleigh/Durham Redding Reno Richmond Roanoke Rochester (Minnesota) Rochester (New York) Rockford
Sacramento Saint Louis Salt Lake City San Angelo San Antonio San Diego San Francisco San Jose San Luis
Obispo Santa Barbara Santa Maria Santa Rosa Sarasota/Bradonton Savannah Seattle Shreveport
Steamboat Springs South Bend Springfield (Illinois) Springfield (Missouri) Stockton
Syracuse Talahassee Tampa Terre Haute Texarkana Toledo Traverse City
Tri City Tucson Tulsa Tupelo Tuscaloosa Tyler Vail Visalia
Waco Washington DC Waterloo Wausau/
Stevens Point West Palm Beach
Wichita Falls Wichita
Wilmington

American Airlines offers more flights to more U.S. cities than any other airline.

Daily flights from Heathrow, Gatwick, Manchester and Glasgow.
And starting June 16, daily service from Stansted.

AmericanAirlines®
Something special in the air.®

NEWS: WORLD TRADE

Chip makers' protection spells buyers' burden

Trade officials seeking tariff cuts are caught in the middle of a bitter debate, writes **Michiyo Nakamoto**

TRADE officials in Brussels negotiating with the rest of the world to reduce tariffs are finding themselves in the middle of a bitter debate between Europe's semiconductor makers and its users – and both sides claim the outcome could make or break Europe's electronics industry.

During the current round of multilateral talks on the General Agreement on Tariffs and Trade, the EC has offered to lower import tariffs on various goods by 30 per cent. This offer would apply to the existing 14 per cent import duty on semiconductors. Whether EC negotiators will keep the offer on the table depends on how the talks go.

After years of struggling to hold their own, European semiconductor manufacturers believe a tariff reduction is certain to accelerate the steady fall in their share of the European market.

Even with the tariff in effect, that share has fallen from 45 per cent in 1978 to about 39 per cent in 1990 and 38 per cent last year, according to Dataquest, the high-technology consultancy.

US manufacturers together control about 42 per cent of the European market, while Far Eastern manufacturers have increased their share steadily.

A tariff reduction would be "one more step towards a very bad situation and eventually to the industry disappearing altogether", says Mr Klaus Brinkmann, chairman of the semiconductor working group of the European Electronic Components Association.

He argues that the semiconductor industry is a key industry on which all other industries depend. "Without semiconductors Europe has no industrial future," says Mr Brinkmann.

The EC has been the last remaining economy with a tariff on semiconductors after the US, Japan and Canada suspended their tariffs in 1985.

The elimination of tariffs on semiconductors in Europe "is among the top priorities for the Gatt round," says the Semiconductor Industry Association, the trade body in the US.

At the same time semiconductor users in Europe are fighting just as vehemently for the tariff's removal. Either the tariff, which protects semiconductor manufacturers at the expense of equipment manufacturers, goes or equipment manufacturers themselves will have to leave Europe, they say.

Olivetti, the Italian computer and office equipment group, for example, has already moved production of some low-end PCs to Singapore and could move more production there, according to Mr Bruno Lamborghini, head of Olivetti's EC liaison office. "We cannot wait too long," he says. "We have to take a decision."

"We need zero tariffs," he says. "I don't see why we have to support an industry that cannot compete."

The semiconductor industry has always claimed that the high costs of manufacturing in Europe – over 20 per cent more than in the US or Japan – is due to high labour and capital costs which they have no control over. A tariff is needed to create a "level playing field" with their competitors.

Semiconductor users in Europe, in particular the information technology and telecommunications manufacturers, counter that they are faced with the same high costs of manufacturing in Europe.

Eurobit, the association of European business machine manufacturers and the information technology industry, points out that the semiconductor tariff places the equipment manufacturers at a disadvantage since the level of tariffs on imported electronic equipment – generally between 4 and 7 per cent – is lower than the tariff on semiconductors.

This means, in effect, that equipment manufacturers carry the cost of the higher level of protection provided to the semiconductor industry.

"To create an artificial market is to spell death for the electronics industry," Mr Lamborghini says.

He suggests that European semiconductor manufacturers stop trying to compete in areas where they clearly are not competitive and concentrate their efforts on areas where they have strength, such as custom chips. If they are really competitive in these areas they will be able to hold their own even without the protective tariff.

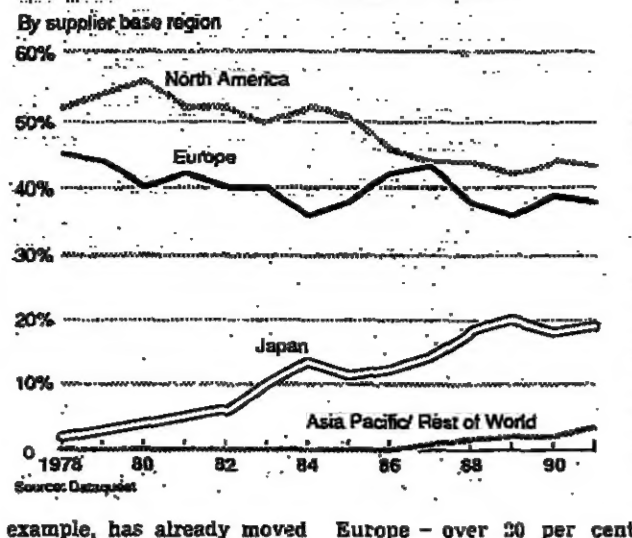
Both the US and Japan are seeking suspension of the 14 per cent tariff. The SIA warns that some form of retaliation is not ruled out entirely. "Depending on what comes out of the Gatt talks, anything is possible."

The EECA admits that the timing constraints of the Uruguay Round means that the EC is unlikely to be able to make an exception for the semiconductor industry.

The options the industry is left with are to continue pushing for an integrated EC policy on electronics while seeking better access to export markets such as Japan. But most important, perhaps, it needs to shape up to meet the impending reality of a less cosy home market.

Share of European chip market

By supplier base region



Source: Dataquest

Company ranking

By sales (1991)

	$ million
Philips Components	1,172
Siemens	958
SGS-Thomson	887
Motorola	770
Intel	760
Texas Instruments	629
Toshiba	509
NEC	452
National Semiconductor	408
Hitachi	318
AMD	307
Samsung	263
ITT	240
GPS	221
Telefunken	220
Mitsubishi	179
Harris	150
Fujitsu	147
Analog Devices	136
Oki	104

US to review chip agreement with Japanese

By Louise Kehoe in San Francisco

THE US government is to conduct a high-level inter-agency review of the implementation of last year's agreement with Japan on semiconductor trade, a move signalling growing concern in the US about lack of progress on improving foreign access to the Japanese chip market.

"We are extremely troubled by the lack of progress," Mrs Carla Hills, US trade representative, said when announcing the review yesterday. "A detailed examination of the facts will help to determine whether the arrangement is being implemented properly, and what must be done to overcome any impediments to market access."

Under the terms of the 1991 agreement Japan recognised US expectations that the foreign share of the Japanese semiconductor market should rise to more than 20 per cent by the end of 1992. However, according to the last available data, the foreign share stood at only 14.4 per cent in the fourth quarter of 1991, and has been virtually stagnant for the past two years.

Official figures for market share in the first quarter of 1992 are not expected until mid-June, but unofficial measures from industry sources suggest that Japanese imports of most types of semiconductor products have declined sharply over the past few months, reflecting weakening economic conditions in Japan.

The announcement of the inter-agency review "is one more indication that Japan must take immediate steps to improve access to its semiconductor market," Mr Andrew Procassini, president of the US Semiconductor Industry Association, said. "It also sends a strong message that the US government will insist Japan adhere to the terms of the agreement."

The inter-agency review will begin this week, and is expected to report by August 1. The results could be used by the US trade representative to provide what evidence may be considered necessary for retaliatory sanctions against Japan.

Officials struggle for Uruguay Round accord

By Nancy Dunne in Washington

SENIOR US and EC officials yesterday struggled to build a Uruguay Round deal on a foundation laid last week by an agreement among European farm ministers to reform the Common Agriculture Policy.

Mr Frans Andriessen, the EC's top trade negotiator, and other officials met Mrs Carla Hills, US trade representative. The talks were expanded to include Mr James Baker, US secretary of state; Mr Edward Madigan, US agriculture secretary; and several deputies.

Mrs Hills and Mr Andriessen were to continue talking over a working dinner. Further negotiations were expected today. The meetings were seen by many as the last chance for the Uruguay Round, stalled for years over farm trade reform. "This is a serious effort," an EC spokesman said.

While EC officials last week were self-congratulatory on their achievement on CAP reform, US farm groups were trying to assess its impact. The American Farm Bureau, whose support is considered vital for a Gatt deal to go through Congress, responded bitterly to EC officials' suggestions that the US should make further concessions in Gatt.

"The EC reforms fall far short of the proposed agricultural agreement put forward by Gatt director-general Arthur Dunkel and further short of what the Farm Bureau would expect to achieve in the talks," Mr Dean Kleckner, Farm Bureau president, said.

The EC was finally implementing a "more market-oriented farm support programme" after two decades of "dumping" its surpluses on the world market, he claimed. "While the EC operated this system, the US has been employing set-asides all along."

A spokesman for Cargill, the international grain trader, said the company was still assessing the CAP reform proposal. But a favourable review of the deal had been received from its European office.

Others said the EC had failed to make any specific provision for liberalising its domestic market for agriculture imports, one of the requirements set in Gatt for a final agreement.

Turkey-Russia pact paves way for gas deal

TURKEY and Russia have agreed terms for settling an outstanding debt owed by Moscow, paving the way for a new gas trade accord, worth $290m (£163.8m) in 1991, John Murray Brown reports from Ankara.

Mr Suleyman Demirel, Turkish prime minister, has won assurance from Mr Yegor Gaidar, Russia's first deputy prime minister, that Russia would repay a $35m debt over the next three months.

Russia has also agreed a Turkish request that proceeds of the gas trade be paid into the Turkish Eximbank in Ankara, rather than the Vnesheconombank, the bank through which former Soviet foreign debt is paid.

Under the deal Russia assumes contractual responsibility for the natural gas contract first agreed with the former Soviet Union in 1984. However, the two sides have still to finalise details on changes on both the price and volume of the gas shipped.

Canadian grain for Moscow hit by cash shortage

By Bernard Simon in Toronto

CANADIAN grain exports to Russia have slowed to a trickle because of Moscow's inability to pay foreign shipowners and a ban imposed by Ottawa on many Russian-owned vessels to counter an infestation of leaf-eating moths.

Russia's shortage of hard currency has already caused Canadian authorities to impound at least one fully-laden vessel, and appears to be discouraging other owners from sending ships to Canadian ports.

The slowdown in shipments to Canada's biggest grain export market has also caused a domestic transport crisis. About half the grain freighters plying the Great Lakes are at present idle.

Estimates of June exports were cut yesterday. Total shipments through the Great Lakes port of Thunder Bay are now projected at 0.5m tonnes, half the volume expected a month ago.

White House set to fend off curbs on China trade

THE Bush Administration is preparing again to fend off Congressional attempts to place conditions on the favourable trade treatment accorded to Chinese exports. **Nancy Dunne reports from Washington.**

Last year, the president was forced to veto legislation putting conditions on China's Most Favoured Nation (MFN) status, which gives it lower tariffs than those still applied to the former Soviet Union. The veto was sustained in the Senate earlier this year, but only by seven votes.

One of the president's key supporters on the issue, Democratic Senator Max Baucus, is now threatening to withdraw his support. The senator is frustrated by the administration's failure to include environmental programmes and a worker's adjustment assistance scheme in the North American Free Trade Agreement (Nafta).

Senator Baucus, who heads the Senate's international trade subcommittee, is one of the most influential voices on trade in the Congress. He supported the administration both on China and renewal of fast-track negotiating authority for the Nafta, but warned that he would reject the latter without strong environmental and labour provisions. The president has until June 3 to notify Congress of his intention to extend China's MFN. Congress could then vote it down, but total rejection is unlikely.

Bush administration likely to welcome move

Guilty plea may lead to BNL trial cancellation

By Alan Friedman in New York

THE long-awaited Banca Nazionale del Lavoro (BNL) trial is likely to be cancelled next week following an expected guilty plea by Mr Christopher Drogoul, the former manager of the bank's Atlanta branch. Mr Drogoul is the last remaining defendant facing trial.

The cancellation of the trial, which was recently postponed until June 22, is likely to be greeted with relief by the Bush administration, which has come under fire in recent weeks from congressional Democrats. They have accused the government of covering up its alleged knowledge of the more than $4bn (£2.2bn) of clandestine loans made by BNL Atlanta to Iraq.

More than half of the unauthorised loans from BNL were used by Iraq's President Saddam Hussein to fund development of nuclear, chemical and ballistic missile projects.

Ms Sheila Tyler, the lawyer acting for Mr Drogoul, said last night the former BNL manager would enter a guilty plea next Tuesday morning, in a hearing before Judge Marvin Shoob in Atlanta. An aide to Judge Shoob confirmed that Mr Drogoul would enter the plea.

As Mr Drogoul makes his statement next Tuesday, a hearing of the House judiciary committee in Washington will discuss the merits of seeking a special prosecutor to investigate whether there has been a cover-up of US involvement in the BNL affair and other aspects of the arming of Iraq.

Ms Tyler is expected to make use of Mr Drogoul's eventual sentencing hearing to argue that he was a minor player in a banking operation that had covert US government approval. Whether this will sway the judge to reduce Mr Drogoul's prison sentence – which could be as high as 30 years – is uncertain.

"It is clear to me that my client was merely a small fish in a larger operation. It is unfair for Mr Drogoul to take all the blame," Ms Tyler said yesterday.

Judge Shoob's only public comment on the BNL affair was in remarks he made at a pre-trial hearing on April 27. "In reviewing all the documents that have been made available to me, there is nothing that remotely indicates that he [Mr Drogoul] is the sole moving party in this transaction," the judge said.

"I don't see how Mr Drogoul could have handled this whole thing without some type of assistance."

Mr Drogoul was indicted 15 months ago along with 10 others on charges ranging from conspiracy and fraud to money laundering and tax evasion. The US has no hope of securing four top Iraqi government officials who were among those indicted, while the other defendants have pleaded guilty.

Big primary wins for Bush and Clinton

By Jurek Martin in Washington

THE penultimate round of presidential primaries saw three big wins for US President George Bush and Governor Bill Clinton, strong informal support for Mr Ross Perot and further evidence that congressional incumbents are up against it this year.

Mr Bush scored 87 per cent in Arkansas in Tuesday's vote, 74 per cent in Kentucky and 64 per cent in Idaho. Mr Clinton won 68 per cent in his home state, 56 per cent in Kentucky and about 50 per cent in Idaho.

In Kentucky the Perot campaign had urged a vote for the uncommitted ticket, and it duly materialised – 28 per cent on the Democratic side and 26 per cent for the Republicans. In Arkansas it amounted to 18 per cent.

Updated tallies from last week's primary in Washington showed the Perot write-in vote at about 20 per cent in both parties.

Mr Jerry Brown, the remaining Democratic challenger, failed to reach the 15 per cent threshold in Arkansas and Kentucky necessary to win convention delegates. Mr Clinton took 64 of the 88 delegates at stake, and is now only about 150 short of the 2,145 needed for the nomination.

This he will undoubtedly secure next week in the final primary round, which includes California. Mr Brown's challenge in the state which he once governed appears to be fading fast. However, most local polls suggest that Mr Perot leads both Mr Clinton and Mr Bush, not only in the west but also in industrial states like Ohio, which holds party primaries next Tuesday.

Most striking in the last round were the primary defeats of two-long serving Democratic congressman – Mr Bill Alexander in Arkansas and Mr Carroll Hubbard in Kentucky. Both had been caught up in March's congressional banking scandal, when it emerged that many congressmen had written bad cheques at the House of Representatives' bank.

The number of incumbent senators and congressmen who have either been defeated or announced retirement now exceeds 60.

Predictions of the final toll range from 100 to 150, which would be a post-war high. Republicans hope the current comfortable Democratic majority in both houses could be at risk.

The composition of the new congress would assume extraordinary importance in the event that no candidate wins a majority of the electoral college in the presidential election. The rise of Mr Perot has now rendered this thinkable, if still less than probable.

Should this happen, the constitution stipulates that the newly elected House choose the president and the Senate the vice-president, with each state, regardless of its size, casting a single vote. Nothing like this has taken place since 1824.

The Republican party, meanwhile, suffered the unusual experience of a bruising public debate over its long-standing commitment to restricting abortion. The platform committee, meeting in Salt Lake City, heard arguments not only from pro-life advocates but from the increasingly vocal group of pro-choice Republican women who sense that adamant opposition to abortion could be an electoral liability this year.

Pedro Collor alleges $25m bribe

By Christina Lamb in Rio de Janeiro

Pedro Collor: insists that earlier claims against his brother are true

MR Pedro Collor, the younger brother of Brazil's President Fernando Collor, yesterday produced the results of medical tests confirming his own sanity and accused the president's campaign treasurer of attempting to bribe him with $25m (£14.1m) to leave the country.

Mr Pedro Collor took the tests to lend credibility to claims against the president and his campaign treasurer, Mr Paulo Cesar Farias. Details are on a videotape which Mr Pedro Collor says could bring down the government.

Insisting that "all I have said in earlier interviews is true," Mr Pedro Collor admitted yesterday for the first time that he had no proof against his presidential brother. However, he repeated his allegations of extortion against Mr Farias (known as PC), whom he said had tried to influence his brother. He alleged: "PC tried to bribe me with $25m through a mutual friend to leave the country until 1995 [when Mr Collor's term ends]".

The Brazilian stock markets immediately rose on Mr Pedro Collor's admission of lack of evidence against the president and within an hour the main São Paulo index had gained 4.8 per cent.

However, problems are far from over for the president, who is due to open the Earth Summit next week. In the early hours of yesterday morning the Brazilian Congress approved a parliamentary inquiry into Mr Pedro Collor's allegations.

New orders continue rise

NEW orders for durable goods rose for the fourth consecutive month in April, the Commerce Department reported yesterday, Michael Prowse writes from Washington.

Orders increased 1.4 per cent last month – more than expected in financial markets – and by 4.6 per cent in the year to April. Gains were concentrated in the volatile transport sector, where orders rose 6.1 per cent between March and April. Excluding transport, orders fell 0.2 per cent.

Orders for non-defence capital goods, excluding aircraft and parts, fell 2.6 per cent last month, suggesting that civilian investment spending is likely to remain sluggish in coming months.

● Reuter adds: A prominent US economic forecasting group said its latest national survey showed little likelihood of renewed recession, and saw stronger 1992 growth than forecast.

UN report warns on global heating

By Clive Cookson, Science Editor

THE political drive to combat global warming receives powerful scientific backing today with the publication of a report from the United Nations inter-governmental panel on climate change (IPCC) to next week's Earth Summit in Rio de Janeiro.

IPCC predicts that human activities will heat up the world during the next century, by pumping carbon dioxide and other "greenhouse gases" into the atmosphere.

There is, however, still uncertainty about the scientific processes involved in global warming. It is also impossible to know how much the world population and industrial activities will grow, and how much greenhouse emissions will be reduced by concerted international action to reduce consumption of carbon fuels.

IPCC studied six scenarios and each shows an appreciable increase in global temperature. The average increase is likely to be somewhere between 1.5 degrees Celsius and 3.5 degrees Celsius over the next 100 years. Even warming at the bottom end of this range could raise sea levels by 50cm – enough to flood low-lying countries such as Bangladesh. Agriculture in some parts of the world would be devastated.

The report draws directly on the research of 118 scientists from 22 countries; a further 380 scientists were brought in to review their work. "It can therefore be considered as an authoritative statement of the contemporary scientific community," said Sir John Houghton, scientific chairman of IPCC and former director of the UK Meteorological Office.

Today's report stands by the main conclusions of the IPCC's first scientific assessment, released in 1990, which shocked politicians and gave real momentum to the movement to draw up an international convention on climatic change.

There has been a vast amount of research since then – some suggesting the IPCC had exaggerated the danger by ignoring cooling processes which could counteract the greenhouse effect. But IPCC says these will only slightly reduce the overall trend.

The most important new cooling influences are destruction of the heat-absorbing ozone layer by man-made chemicals (mainly CFCs), and tiny particles of industrial pollution known as "sulphate aerosols" which shroud much of the northern hemisphere in a heat-reflecting haze.

IPCC: Climate Change 1992. Cambridge University Press, £9.95 or $19.95.

Businesses 'crucial to success of summit'

By Christina Lamb

MR Maurice Strong, secretary-general of the Earth Summit to be held in Rio de Janeiro next week, said yesterday the role of business was crucial to the summit's success. Industrial efficiency was the key to a better environmental future, he added.

Addressing the International Chamber of Commerce conference on sustainable development, Mr Strong said that future financial profits and attention to the environment would be closely linked.

"Those who are defensive, reluctant, fighting yesterday's battles and believing that the movement for sustainable development is at the fringes of events, are the businesses which will fall by the wayside," he warned.

"In some ways industry is ahead of government, but to move on it needs government co-operation. I hope a primary result of the Earth Summit will be an affirmation by governments of the need for a fiscal and regulatory environment which allows industry to operate with sustainable behaviour."

● US companies emitted 11 per cent fewer toxic chemicals in 1990 than a year earlier, the Environmental Protection Agency said yesterday, Reuter reports from Washington.

Researchers highlight Dutch output

By Andrew Adonis

PRODUCTIVITY levels in the Netherlands are well ahead of those in Britain because of the marked superiority of the Dutch system of education and training, claims the National Institute of Economic and Social Research.

In a paper published in this month's National Institute Review, researchers blame the difference on inferior skill levels of British workers.

Comparisons of manufacturing plants in the two countries found Dutch productivity levels at least 30 per cent higher in engineering.

The researchers highlight three contrasts: higher rates of emergency downtime in British plants, reflecting poor machine maintenance; greater problems of maintaining a consistent quality of product in Britain; and higher shopfloor manning levels in Britain due to a comparative shortage of skilled workers able to switch between different tasks.

They account for these differences in the comparative weakness of British education and training. Dutch schools, they argue, place greater *emphasis on "early systematic preparation for a career".*

Low growth blamed on European interest rates

By Emma Tucker and Peter Norman

THE outlook for Britain's unemployed is bleak over the next two years because growth will be too weak to stop the number of people out of work climbing towards three million.

Moreover, the latest Financial Times survey of forecasts of the UK economy suggests inflation will stay stubbornly *above* the Chancellor of the Exchequer's goal of 2 per cent in spite of below-trend growth and a rising jobless total.

The FT has polled 22 groups of economists at universities, independent think-tanks and City investment houses. The survey suggests that the Treasury's March prediction of a 1 per cent rise in gross domestic product this year and 3 per cent in the first half of next year is slightly too optimistic.

Instead the average forecast for output growth is about 0.8 per cent this year and 2.4 per cent in 1993 with unemployment likely to reach 2.9m by the end of next year.

Looking further ahead, the National Institute of Economic and Social Research cast doubt *on the Treasury's medium* term projections that GDP will *grow by 3.5 per cent a year* over the fiscal years 1994-95 to 1996-97. In a separate report, it projected no significant drop in UK unemployment below 2.7m before the end of the decade.

The National Institute lays much of the blame for future slow growth on "excessive" real interest rates in Europe. The forecasters polled by the FT expect interest rates to stay high because of the constraints imposed by the European exchange rate mechanism. It says the scope for fiscal and monetary stimulus will be limited by the state of the UK's public finances and constraints imposed by the European exchange rate mechanism. The UK will not be able, for example, to benefit from exchange rate depreciation as in earlier economic cycles.

Its projections show the economy growing at about 2.5 per cent, or close to its long-term trend over the past 40 years, with inflation ranging between 3 per cent and 3.5 per cent a year.

The institute expects Britain to have a current-account deficit of about £10bn, or close to 1.5 per cent of GDP, over the medium term. It implies a gradual depletion of Britain's strong net asset position *abroad.*

The institute argues that real short-term interest rates of about 6 per cent are excessive for the UK and other EC member states such as France. The best solution would be a substantial tightening of German fiscal policy – which is outside the UK government's control.

National Institute Economic Review, Number 140, May 1992. National Institute, 2 Dean Trench Street, Smith Square, London SW1P 3HE. By subscription.

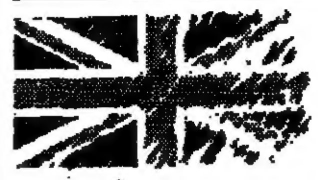
The European Community needs a much larger budget to ensure the success of economic and monetary union, according to Sir Donald MacDougall, a former chief economic adviser to the UK government.

Writing in the latest National Institute Economic Review, Sir Donald warned *that countries could face* "a prolonged period of painful adjustment, with sluggish, or even negative, economic growth, *high unemployment,* and possibly outward migration" if they did not have Community financial help after losing the power to vary exchange rates.

Colin Beere

Working on the boards: a craftsman attends to beams for *the New Globe theatre in London, the Shakespearean* theatre project backed by film-maker Sam Wanamaker

Britain in brief



Labour seeks lesser role for trade unions

The opposition Labour party leadership agreed to call on its policy-making annual conference to end the trade unions' role in the selection of parliamentary candidates.

But Labour leader Mr Neil Kinnock, who had proposed the change over to a simple one member, one vote system, used his first interviews since the general election to insist that there was no question of severing the unions' historic links with the party.

Without union support for Labour the Conservatives would have had "a near monopoly" of the press, political funding and power, the party leader told the national executive committee.

Key power bids for UK coal

UK electricity generators have made their opening offers in key negotiations with British Coal for long term supply contracts based on world prices.

According to an industry newsletter National Power and PowerGen have made offers well below the £1.85 per gigajoule currently charged by British Coal. National Power, the larger of the two, is believed to have offered £1.50, and PowerGen £1.10.

The contracts will run for five years from next April. The current contracts are based on artificially high prices intended to help the UK coal industry.

Large industrial consumers in the UK faced the highest electricity price increases for seven years in the year to April 1992, a survey of 1,200 companies published by National Utility Services (NUS) has found.

Large electricity consumers now pay 4.28p per unit, NUS said, compared with 3.94p last year. This is cheaper than Italy, Germany, Belgium, and Eire, but more expensive than the US, France, Netherlands, Finland, Norway, Sweden, Australia and Canada.

Plan to combat company debt

More than 20 trade associations and small business groups have expressed an interest in a government plan to develop pilot schemes to tackle the problem of the late payment of debt, the department of trade and industry said.

Mr Norman Lamont, chancellor of the exchequer, announced in his March budget that the government would provide up to £90,000 for three trade organisations to run one-year pilot schemes such as late payment "hotlines" for their members.

Banks advised on conduct

The Governor of the Bank of England said that banks must put the interests of their shareholders and customers above *any other considerations,* including the interests of the general public.

Mr Robin Leigh-Pemberton, in a speech in London, said, that banks are "expected to function not only as profit-conscious businesses but also as public spirited institutions". But there is likely to be a conflict between these different perceptions of banks' roles where "the banks are looked to absorb social costs".

New targets for Underground

Tougher performance targets aimed at improving the quality of services for passengers were laid down for London Underground by Mr John MacGregor, transport secretary.

For the first time, the Underground will be expected to get the intervals between trains right at least 91 per cent of the time on frequent services by April next year.

Town Hall pay offer

Clerical workers in local government could receive one of the lowest pay settlements in the public sector this year after employers offered 3.8 per cent rises in basic pay and indicated there was little more available.

The offer, up from a previous 3.6 per cent, was dismissed by Nalgo, the main union in the negotiations, as unrealistically low. Mr Dennis Reed, local government officer, said he hoped for a negotiated settlement but added that industrial action was possible.

Wales wins £96m in EC aid

Wales has been granted £96m aid from the EC. South Wales is to get £74m in support and Clwyd will receive nearly £22m. Mr Bruce Millan, EC regional policy commissioner, said: "Wales has suffered severely from the problems of industrial restructuring of the coal and steel industries and the impact of the recession."

Pit campaigners look to Europe

Leaders of a campaign to save the last two coal pits in County Durham, north east England, are planning to take their fight to Europe.

Miners, council chiefs and the local MP and Euro-MP said they would go to the European parliament in an effort to save the Easington and Vane Tempest/Seaham collieries, sole remnants of an industry which once boasted a mine in virtually every village in the area.

Fresh bid to save battlefields

A national campaign has been launched to protect Britain's battlefields.

Military historians and enthusiasts increasingly embittered by the government's apparent lack of interest in preserving the sites of old battles have formed the Battlefield Trust.

They are particularly incensed at the government's "obduracy and intransigence" over plans to destroy the Civil War battlefield of Naseby, in the English midlands, by building a new motorway through it.

Ford sells car company

Ford is to sell its stake in AC Cars, the Surrey-based specialist sports car company in which it took a 50.96 per cent stake for a declared £1.3m nearly five years ago.

The holding is being sold for an undisclosed sum, to Mr Brian Angliss, AC Cars' managing director, who also controls Autokraft, a private company based on the Brooklands industrial estate, which holds the minority stake in AC Cars.

Correction

In a caption published on Tuesday, the fare for inaugural trips on the cruise ship SSC *Radisson Diamond* was incorrectly stated at $600 a week. The correct fare is $600 a day.

UK brokers see return to profit in 1991

By Richard Waters

The UK's stockbrokers *returned to profit last year* after devastating losses in 1990 – though they managed only a meagre return in one of the most bouyant recent years for the stock market.

Securities companies which belong to the London Stock Exchange had lost £353m in 1990 but managed combined profits of £286m in 1991, the *exchange said yesterday*.

That is equivalent to a return of just over 10 per cent on the capital they had invested in the market – less than was available last year on risk-free UK government bonds.

The return to profits, however, was enough to stop the steady attrition that had seen some banks withdrawing from the market since the 1987 stock market crash.

The turn-around in stockbrokers' fortunes last year was due largely to the 14 per cent leap in turnover on the stock-*market as share prices rose* after the Gulf War. Commissions earned by brokers jumped 19 per cent as a result, to £1bn.

The spurt in trading also made it easier for market makers to show a profit: their profits more than doubled during the year, to £815m. Also, as share prices leapt, companies queued up to raise cash by selling shares, pushing up fees for underwriting and managing new issues to £301m.

One side effect of the sudden leap in stockbrokers' income *was a return of the staff* bonuses that had withered during the lean year of 1990. Bonuses had amounted to only 7 per cent of the annual brokers' basic salary in 1990. Last year, they jumped to 22 per cent.

In spite of this, securities companies managed to put the lid firmly on their total staff costs, *the single largest* expense they face. By holding down basic salaries, they managed to keep salary increases to just 1 per cent. Experience in the last quarter of the year and the early part of this year, however, suggests that salaries are now rising again, the exchange says. Also, brokers failed to contain their other costs last year.

"The cost cutting measures of the past two years may be losing momentum, with costs increasing faster than inflation in 1991," the exchange says.

Trading in futures and *options – one of the fastest-*growing areas of the industry – showed a surprise loss of £10m last year, after a £41m profit the year before. However, the exchange said this could have been due to hedging activities by traders, with losses on futures and options more than offset by gains made on shares.

Stock Exhange Quarterly, January-March 1992, London Stock Exchange. £16.

THE CADBURY REPORT

Self-regulatory route still favoured for City

By Richard Waters

TWO assumptions underpin the recommendations of the Cadbury committee, published yesterday.

One is that self-regulation, rather than statutory enforcement, is the best route to improving the way companies are run.

The second is that financial markets, rather than external regulators, provide the toughest sanctions against companies which fail to match up to accepted standards of corporate governance.

Both rely on companies' willingness *to comply* – and on shareholders' readiness to shake off their traditional apathy and take a *more active* interest in the companies they own.

The Cadbury committee was set up in response to a number of corporate scandals that cast doubts on the current systems for controlling the way companies are run. The downfall of powerful figures such as Asil Nadir or the late Robert Maxwell, whose personal control over their companies was complete, raised fears about the *concentration of power.* The collapse of companies that only shortly before had received clean audit reports prompted renewed questioning over the part played by auditors in reporting to shareholders on their investments. It will be against these cases that the success of the Cadbury recommendations will be judged.

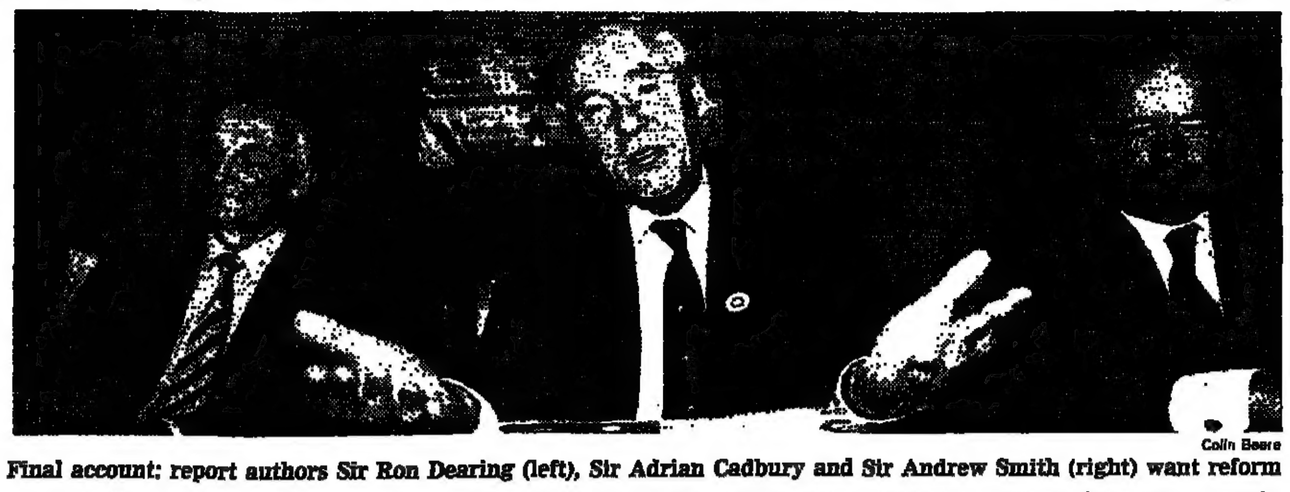
The central pillar of the proposed system is an annual statement to shareholders on *each company's compliance* with a code of conduct, which lays down best practice for the way companies are run. The code is voluntary: the report to shareholders will not be.

The Stock Exchange – whose chairman, Sir Andrew Hugh Smith, sat on the Cadbury committee – is expected to amend its rules for listed companies to require directors to report each year on whether they have complied with the *code, and to give reasons if* they have not. A company's auditors will then report on directors' statement, to make sure shareholders are being given a true picture.

Around this central pillar, the committee proposes a patchwork of steps which together would reinforce the system for running companies.

Four possible amendments to company law are proposed: to limit directors' service contracts *to three years,* to make it easier for auditors to report fraud, to require directors to report *on their systems of* internal control, and to state explicitly in their annual accounts that their businesses can continue as going concerns. However, no new companies legislation is planned in the foreseeable future.

Editorial Comment, Page 14
Lex, Page 16



Colin Beere

Final account: report authors Sir Ron Dearing (left), Sir Adrian Cadbury and Sir Andrew Smith (right) want reform

RECOMMENDATIONS

- Corporate boards should have a clearly accepted division of responsibilities.
- Non-executives should have more influence on boards.
- Non-executives should be able to seek financial or legal advise from outside professionals.
- The Companies Act should be amended to reduce the maximum period of a director's service contract to three years from five.
- Directors pay should be determined by a renumeration committee composed wholly or mainly of non-executives.
- Renumeration packages of directors should be fully disclosed.
- Boards must establish effective audit committees in next two years composed entirely of non-executive directors.
- Audit committee to seek external professional advice.
- Fees paid to audit firms for non-audit work conducted worldwide should be fully disclosed.
- Interim financial statements should include balance sheet information.
- Accounts should guarantee a periodic change of partners involved in the preparation of a company's audits.
- Boards should state expectation that their company will continue as a going concern.
- Committee recommends new legislation allowing auditors to report suspicion of fraud to government authorities without breaching client confidentiality.

Labour disappointed by 'recipe for inactivity'

By Alison Smith

THE REPORT was greeted with some disappointment by Ms Marjorie Mowlam, the opposition Labour spokesman on corporate affairs, although it was welcomed by ministers.

Ms Mowlam questioned the efficacy of peer group pressure as a way of enforcing the code of best practice, and warned that the use of a voluntary code might amount to a "recipe for inactivity". She highlighted areas where she believed the report should have gone further, such as its "rather vague" reference to companies finding new ways of working with shareholders.

Mr Neil Hamilton, the corporate affairs minister, said the report was a valuable contribution to the debate on improving corporate governance. He particularly supported the idea of a voluntary code of best practice, hailing it as "an important step forward in improving corporate governance".

The department of trade and industry emphasised that the report was a draft, and said that the government would look again at it in the light of the comments it attracted.

Ms Mowlam, however, said it could have proposed simplified annual reports or training for shareholders.

A further weakness, she added, was the report's comments on the role of non-executive directors, which did not address where they might be found and whether they should be trained. The Labour spokesman also said if the report was serious in addressing the question of boardroom pay, it should have recommended that annual general meetings should be able to vote on directors' salaries.

She did, however, welcome parts of the report, such as the proposed extension of protection for auditors reporting reasonable suspicion of fraud.

Edinburgh challenges EC rivals with central bank bid

By James Buxton, Scottish Correspondent

EDINBURGH yesterday pitted itself against Frankfurt, London and Paris, as well as Amsterdam and Manchester, in formally joining the acrimonious struggle to become the location of the European Central Bank (ECB).

Although Edinburgh would like to be home to the whole institution, it believes its best chance of success lies in persuading the EC to disperse different departments of the bank around the community, with Edinburgh becoming the headquarters for an important sector of it.

Under decisions taken at last year's Maastricht summit to achieve European monetary union (EMU), the bank would operate monetary policy across the EC when the third stage of Emu starts by 1999.

Decisions on the siting of the ECB should in theory be taken by the end of this year.

Currently London, Frankfurt and Paris are fighting to become the home of the ECB, with Amsterdam being seen as a possible compromise candidate. Manchester is the only other British city to have thrown its hat into the ring.

Last week Mr Norman Lamont, chancellor of the exchequer, raised the hopes of centres other than London when he told the House of Commons that he believed "that Britain – not London alone but other centres – will be the strongest candidate" to be the headquarters of the ECB.

The campaign to bring all or part of the European Central Bank to Edinburgh was launched at a conference in the city attended by some 200 members of Edinburgh's financial community. A consortium of local authorities and economic development bodies is spending £250,000 on the campaign, which aims to secure agreement for its aims from the UK government.

Professor Donald MacKay, an economist who heads the economic consultancy Pieda said that European monetary policy would best be controlled by the ECB from a financial centre where trading took place, which would rule out Edinburgh. But there was no reason why other functions of the ECB, such as money transmission, accounting, research and collation of statistics could not be located in Edinburgh.

● Britain's six-month presidency of the European Community, starting on July 1, will cost up to £5.5m more as a result of the decision to hold the Heads of Government summit in Edinburgh rather than in London, according to Foreign Office estimates.

Observer, Page 15

Robert Thomson says that Japanese companies have abandoned fancy gimmickry for old-fashioned selling

The end of the image

In the heady days of the late 1980s, when the Tokyo stock market seemed able to defy gravity and GNP was growing at 7 per cent, prospering Japanese companies indulged their advertising fantasies.

They hired the likes of Mickey Rourke and Mike Tyson, and embarked on lavish publicity campaigns of "image-up", as profile raising is called in Japan. Manufacturers queued to sponsor their favourite television programmes and became prominent patrons of the arts.

That easy money has dried up. Having grown accustomed to double-digit growth in advertising expenditure, which was up 15 per cent in 1989, television networks are having to adjust to meagre increases, while newspapers, magazines and advertising agencies are coming to terms with the first revenue falls since 1965.

Dentsu, Japan's largest agency, reckons that newspaper advertising was down 1 per cent in the first quarter, billing for magazines by 2 per cent, and for radio by 7 per cent. Television programme sponsorship was 1 per cent lower while commercials rose 2 per cent.

"The industries hardest hit by the bursting of the financial bubble, like securities and real estate, have cut their advertising the most. Electronics are also down, but other industries, like cosmetics, are still showing growth," Dentsu said.

Advertising by the securities industry, stricken by scandal and losses, fell almost by half last year. Property-related advertising was 12 per cent lower in the first quarter this year.

Hardly surprisingly, the changes in advertising match broader changes in spending patterns: Japanese consumers have put off buying that new television or video, and instead are spending increasing amounts on food – reflected in a near 10 per cent rise in food advertising.

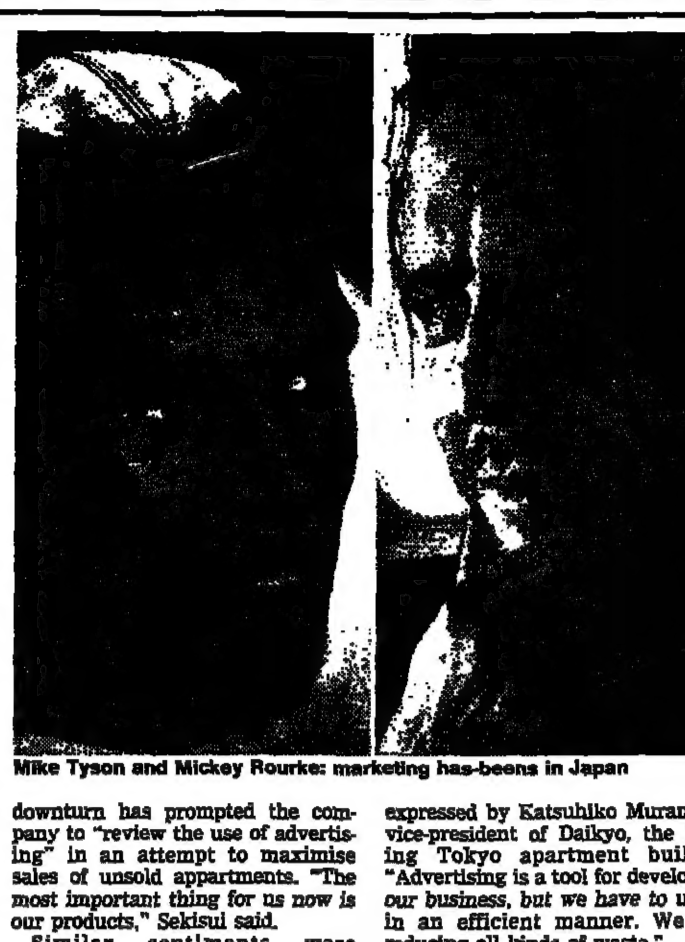
Companies are responding to the new frugal mood by shifting away from advertising designed to improve their image and towards product-specific messages.

Japanese advertisments are famed for their abstruse imagery, with companies taking up costly television time to convey scenes of tree trunks, sunflower stalks and moss-covered rocks that were distant from their products. But falling income and concerns about the success of new products in weak domestic markets have concentrated their campaigns.

The trend is evident in the steep fall in property-related television advertising in the first quarter, as the industry uses newspapers and magazines to market individual properties. Land developers had previously been fond of projecting themselves as environment-friendly, renaissance companies, but now they are more interested in selling houses.

Sekisui House, the country's largest builder of houses, said economic downturn has prompted the company to "review the use of advertising" in an attempt to maximise sales of unsold appartments. "The most important thing for us now is our products," Sekisui said.

Similar sentiments were expressed by Katsuhiko Muramoto, vice-president of Daikyo, the leading Tokyo apartment builder: "Advertising is a tool for developing our business, but we have to use it in an efficient manner. We are reducing all kinds of waste."



Mike Tyson and Mickey Rourke: marketing has-beens in Japan

Nissan Motor, the car maker, said that it, too, is most concerned about enticing customers to buy a car rather than enhancing its corporate image: "This year our budget is down by 10 per cent, but we can't afford to cut television advertising – it's too important. In total, television and newspapers make up about 85 per cent of our advertising expenses."

Companies have become more conservative in their choice of advertising content. Some are unwilling to change long-running themes that have been successful, but now appear tired. Others are re-using themes that brought them success five or six years ago, and even employing the same actors and actresses.

In attempting to cut costs for clients, agencies are searching for themes in which to bundle diverse companies. The Hakuhodo agency suggested a joint campaign for Shiseido, the cosmetic company, and the Mainichi newspaper group, both of which are commemorating their 120th anniversaries this year.

The agency also expects an increase in cost-saving product partnerships between companies with shared interests – for example, between Honda Motor and Misawa Homes for television commercials showing a house with a two-car garage, and Japan Airlines and Sony, the electronics company, for a package tour that would not be complete without a video camera.

Sport goes up in smoke

While Europe dithers over tobacco advertising, Australia has taken the drastic step of banning sport sponsorship by tobacco companies.

In a sport-mad country the ban – which comes into effect in 1995 – is a serious matter. The state of Tasmania has said it may defy it, arguing that it is unfair to deprive sports bodies of so much cash.

Indeed, tobacco groups – which since 1976 have been prevented from conventional advertising – contribute an estimated A$20m (£8.5m) a year towards the total A$120m sport sponsorship market.

The Confederation of Australian Sport is hoping to persuade the federal government to set up a health fund paid from a levy on tobacco sales. Some states already have such a scheme: Victoria has paid about A$25m over three years in "Quit" sponsorship.

Sports associations are finding other ways of fighting back: lobby group the NSW Sports Federation has called for blacklisting of companies that use sport in their advertising without contributing to it.

Alcohol companies fear they may be next in line, but Ros Kelly, the sports minister, says she has no plans for further bans. She argues that there is no safe level of nicotine intake, whereas moderate drinking may even be good for you.

Tobacco sponsorship is already restricted in many EC countries: it is banned in Portugal and Italy, while in France tobacco advertising and sponsorship are due to be phased out by 1993. This is expected to cost the motor racing alone some FFr350m (£35m) a year.

Tobacco companies in the UK spend £7m a year on sponsorship, particularly of sport. Since the UK banned tobacco advertising on television, sponsorship has become more important.

However, the practice is increasingly controversial: the BBC was recently criticised by the Health Education Authority for allowing back-door tobacco advertising worth the equivalent of some £200m annually. It claimed that by strategically placing tobacco logos in sponsored sporting events, the industry got television coverage without paid-for advertising.

Elisabeth Tacey
Gary Mead

Wash & get into a lather in Poland

Guy de Jonquières and Christopher Bobinski tell a hair-raising tale about selling shampoo

Procter & Gamble, the large US consumer products manufacturer, is widely credited with inventing the principles of modern marketing. But the company's hard-sell techniques have met their come-uppance in Poland, where its plans to take the shampoo market by storm have whipped up a lather.

The cause of all the fuss is P&G's Vidal Sassoon Wash & Go, an all-in-one shampoo and conditioner which is a best-seller in the west. Launched in Poland last August, the product was supported by a marketing blitz on a scale never before seen in the country.

At first, the campaign worked brilliantly. Though Poland's most expensive shampoo, Wash & Go quickly became the most popular, capturing more than a third of the market. But earlier this year, sales suddenly plummeted.

Then, the rumours began. From street markets to dinner parties, a whispering campaign spread that Wash & Go caused dandruff and hair loss – allegations which P&G has strenuously denied.

"There have been lots of rumours," says Barbara Fig, owner of the Palo Palo cosmetics shop in Warsaw, who says she sells little Wash & Go these days. "Maybe they started because a lot of acid rain fell last year."

The shampoo has also inspired countless local jokes. "I washed my car with it, and the tyres went bald," runs one. And when President Lech Walesa proposed earlier this year that he also become prime minister, critics derided the idea as "a two-in-one solution, just like Wash & Go".

P&G went into overdrive to limit the damage. It hastily commissioned a survey by CBOS, the Polish government's opinion research agency, of public attitudes towards its products and sent the results to shopkeepers and wholesalers late last month.

A covering letter from Robert Fregolle Jr, P&G's commercial director in Poland, urged them to continue stocking Wash & Go, stating that it had undergone 150,000 hours of clinical tests and was used by 250m consumers worldwide.

Fregolle acknowledged "negative rumours" about the product and offered money back and a free medical examination to customers who complained that their hair had been damaged. For good measure, he added that P&G's president, John Pepper, had recently visited Lech Walesa to discuss starting production in Poland.

The company also ran newspaper advertisements proclaiming that Wash & Go had been approved by Polish health authorities and launched a corporate campaign featuring it alongside other successful P&G products such as Ariel detergent, Tampax sanitary tampons and Pampers nappies.

P&G admits that sales of Wash & Go, which it imports from plants in western Europe, fell in the first quarter of this year but says they have now started to recover and expects them to regain last December's peak levels next month. However, several retailers in Warsaw say the shampoo is still moving off their shelves only slowly.

Where did P&G go wrong? The most common theory is that it promoted Wash & Go too hard in a country which, for all its enthusiasm for western products, is still unused to brash Madison Avenue-style advertising.

A recent poll by Pentor, a private market research company in Warsaw, found that almost three times more Poles disliked P&G's commercials than liked them – one of the poorest ratings for any western company. Polish Wash & Go commercials, based on an international campaign by the Leo Burnett agency of Chicago, have recently been revamped.

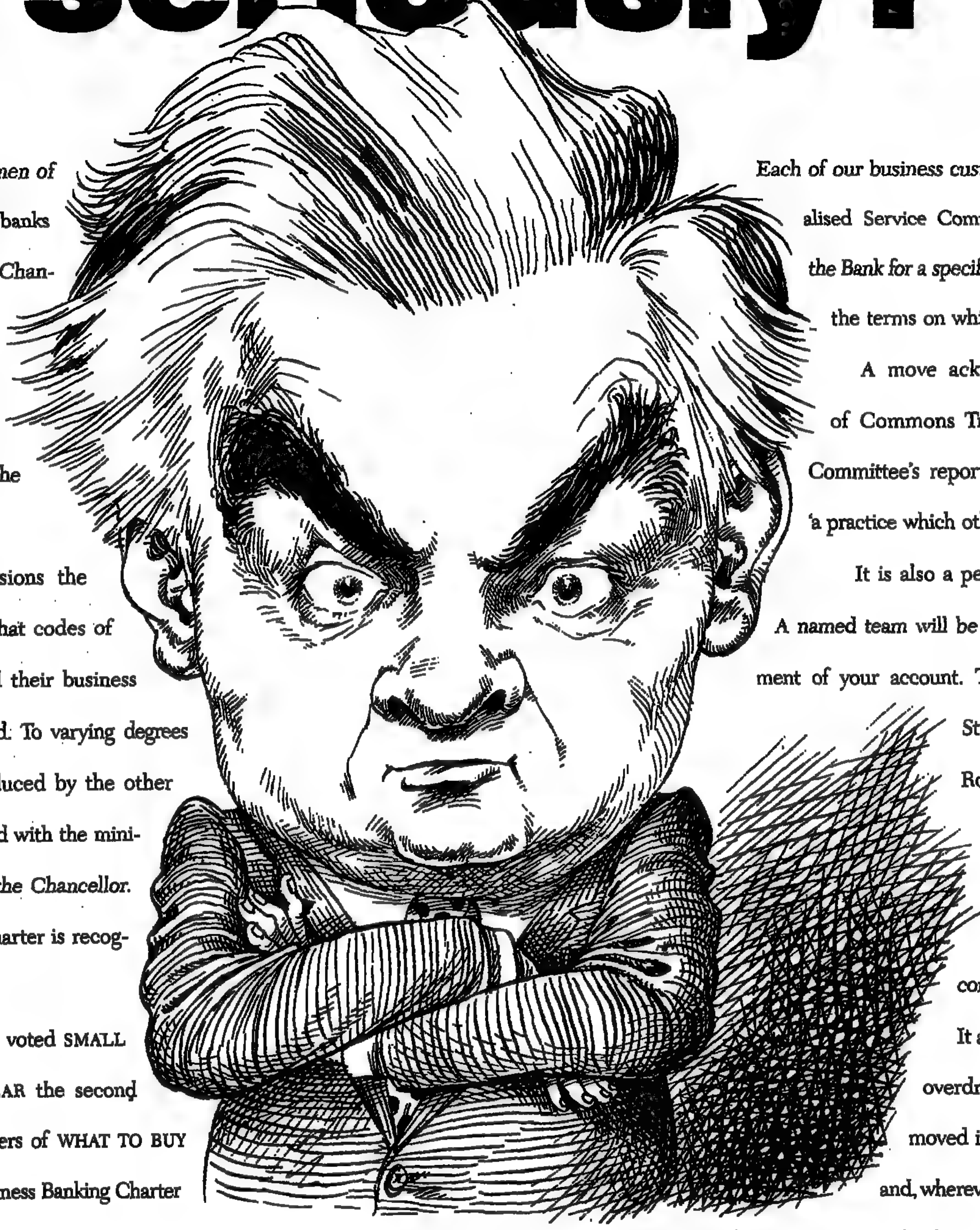
P&G is by far the biggest television advertiser in Poland and is committed to spending $10m there on advertising, marketing, distribution and training over three years. To promote Wash & Go, the company also mass-mailed free samples to households and organised a whistle-stop tour of Poland by Vidal Sassoon, the British-born hairdresser.

But many experts argue that the marketing barrage backfired because years of Communist Party propaganda have led Polish consumers to suspect that advertising is simply a way to shift products nobody wants to buy.

Some also believe that Wash & Go, developed for US consumers who shampoo daily, was too advanced for Polish consumers less obsessed with personal hygiene. P&G has promised an "education" campaign for customers.

Though executives of many other western companies operating in Poland are privately amused by the incident, few are gloating. Says one: "P&G's problem was that it was the first into the market. All of us will make mistakes - that's the price of doing business here."

So, who took him seriously?



Last summer, the Chairmen of the big four English clearing banks were summoned before the Chancellor of the Exchequer.

This move followed a spate of bad publicity surrounding the treatment of the banks' business customers.

Following these discussions the Chancellor recommended that codes of conduct between banks and their business customers should be initiated. To varying degrees the business charters introduced by the other major clearing banks complied with the minimum standards outlined by the Chancellor.

But The Royal Bank's Charter is recognisably different.

It comes from the bank voted SMALL BUSINESS BANK OF THE YEAR the second consecutive time by the readers of WHAT TO BUY FOR BUSINESS. And it's a Business Banking Charter that sets a new standard.

According to the independent Forum of Private Business (FPB), The Royal Bank of Scotland's Charter is the most effective response to the Chancellor's call for codes of conduct to be introduced.

The FPB, who have over 19,000 members, gave it top rating with a score of 82%.

The Charter clearly creates the kind of one to one relationship that their members need to see them through good times and bad.

In the table opposite compare the performance of other UK business banking codes of practice to ours.

As you can see, overall we have a clear 19 percentage points lead over our nearest competitor.

So what exactly is The Royal Bank of Scotland Business Banking Charter and how does it work?

Most importantly, it starts from the premise that each of our business customers have individual needs and need treating individually. Our objective is to build a partnership based on trust.

RATING OF UK BUSINESS BANKING CODES.

(Percent)	Midland	Lloyds	Nat West	Barclays	Bank of Scotland	Royal Bank
Legality and principle	57	14	86	43	50	100
Contacts and complaints	50	0	100	50	25	100
Charges	86	86	86	86	86	86
Borrowing	70	27	53	53	77	83
Security	33	33	33	33	50	83
Performance monitoring	38	13	26	26	26	50
Overall	63	33	63	53	63	82

Source: Forum of Private Business.

We do not apply standard solutions or operate a standard tariff, but tailor make banking arrangements to suit the needs of a particular business.

Each of our business customers will receive a personalised Service Commitment Letter, binding on the Bank for a specified period, setting out clearly the terms on which the account will operate.

A move acknowledged in The House of Commons Treasury and Civil Service Committee's report on banking procedures as 'a practice which other banks should follow.'

It is also a person to person service.

A named team will be responsible for the management of your account. The FPB's Chief Executive, Stan Mendham, has said: "The Royal Bank has set a new standard by promising to tailor each individual relationship to suit the business concerned.

It also gives a commitment that overdraft facilities will only be removed in exceptional circumstances and, wherever possible, with notification. The result will be less anxiety for small businesses, especially those who are borrowing."

That, in essence, sums up The Royal Bank of Scotland's Business Banking Charter.

It represents our continuing commitment to offering our customers the best possible service.

As a customer of The Royal Bank of Scotland you will receive your Service Commitment Letter at the time of your next review with the Bank.

For further information, please contact your branch, or call us on 031 523 4027. And find out just how serious our commitment really is.

The Royal Bank of Scotland

THERE IS A DIFFERENCE.

THE ROYAL BANK OF SCOTLAND plc REGISTERED OFFICE. 36 ST. ANDREW SQUARE, EDINBURGH EH2 2YB. REGISTERED IN SCOTLAND NO 90312

TECHNOLOGY

Phil Manchester continues a series on getting the most out of software by describing how a firm of solicitors expanded its practice through better use of computers

Extending the legal limits

SOFTWARE AT WORK

Steele & Co

COMPANY SNAPSHOT
Steele & Company is one of a new breed of professional organisations which has based its business expansion plans on significant use of technology. The geographical spread of its operations in rural East Anglia has made good communications and careful use of computer systems a necessity.
Nature of business: The firm operates in all the standard areas of law including property conveyancing, litigation, probate and commercial work.
Turnover: As a professional partnership, Steele & Company does not disclose financial data.

TECHNOLOGY FILE
Software: The main administration and financial work is handled by TMA-Sims, a specially-developed package for solicitors, running under Unix. The office systems software is provided by Unisys's CTOS system and covers electronic mail; database query, word processing and spreadsheets.
Hardware: The main system runs on a Unisys 6000/60 with 1.3 gigabytes of disk storage for the central database. Each satellite office is served by a number of Unisys CTOS systems, operating on a local area network. These can also act as terminals to the main system. The whole system serves 120 screens.
Communications: The satellite offices are connected to the main computer at the firm's headquarters, through leased BT lines.
Costs: Steele rents all software and hardware at a current annual cost of £170,000. Equivalent capital cost of the installation is estimated at about £700,000. Steele also pays an annual £35,000 maintenance cost for both software and hardware.

Like many other traditional professional organisations in the UK, Steele & Co, a firm of solicitors based in Norfolk, has had to come to terms with information technology quickly.

Five years ago, the firm had a few PCs in its single office in Norwich and employed 20 staff. It now operates nine offices across Norfolk and Suffolk and employs more than 120 people. They are supported by a computer network which performs billing, provides word processing and administers accounts.

An integrated network system, based on a mixture of proprietary and Unix systems, has given the firm an opportunity to find new ways to work. Most important of all, the system provides management accounting information which enables Steele to make the best use of its resources.

Tim Hankey, Steele's financial controller, says that the firm's recent expansion would not have been possible without the computer network, which now forms the backbone of the practice.

Steele operates in all the traditional areas of law – about 25 per cent of its income comes from conveyancing; 25 per cent from commercial work, 25 per cent from litigation; and 25 per cent private clients.

But Steele's approach to running its business is not typical. "We have a philosophy of small satellite offices feeding into a larger regional office and to a central administrative headquarters. This is a somewhat unusual philosophy for a firm of solicitors and it is only through the IT network that we can retain control," Hankey explains.

The network also allows scarce resources, such as legal specialists, to be shared out in the most efficient way. "We can't have all of our specialists at every site. They are at a central or regional site and our general solicitors at the other ones," explains Hankey.

The current network is based on a Unisys 6000/60 which runs both CTOS and Unix. This is located at the headquarters in Norwich and connected to the outlying offices through dedicated lines leased from British Telecom.

The technology at the outlying offices varies according to the local need. Some offices have a direct inquiry facility and others go through a TCP/IP Ethernet network connection. At the smaller offices, where access to the whole system is unnecessary, there is a single inquiry screen.

Hankey has taken an unusual approach to data capture, which flies in the face of current thinking. Financial and timekeeping data are never entered directly into the system by the outlying offices. It is sent to the central administrative headquarters to be entered by specialist data entry staff.

Hankey says that the main reason is to keep control over the integrity of the company's data. Transactions are recorded on sheets and faxed across to the central administration office every afternoon.

Steele's software also has an unusual pedigree. TMA, its software supplier, acquired the rights to a popular solicitor's application package called Solacs and used it as the basis of a new package called Comptroller. But Steele wanted a more flexible version of the software and searched for other firms of solicitors with a similar need.

"We joined forces with a consortium of five other firms of solicitors and commissioned TMA to write a replacement. It was quite unusual for a firm of solicitors to take this sort of initiative."

The new package, called TMA-Sims, is written using a fourth-generation language called Progress, which brings particular advantages. The TMA package provides the standard application, and Progress allows users to write extra reports.

Hankey says that this is where applications packages have fallen down in the past: "You could not have the full range of reports that people want. But it is very easy to write reports with Progress. They have a feature called Fasttrack which lets you do programming on a portable computer and then send it down the line to the main system."

In addition to the standard administration software the network also supports other important functions. Terminals have access to office automation facilities – word processing, spreadsheets and communications – all supplied as part of the CTOS package.

Steele rents every part of its system – including the software. Hankey says this brings financial benefits as well as allowing the company to maintain its technological edge. Carefully-timed upgrades mean that the company is always running an up-to-date system: "We are in position where we don't own the hardware and don't want to. You could argue that after five years in strict cash terms you have nothing else to pay. But the technology will need replacing by then anyway.

"The other advantage we have found is that when the rental period expires – because hardware costs have come down – you are getting a much better specification of hardware for the same price. Not only that, with depreciation the value of the rental has gone down."

A rental agreement also brings other benefits: "Renting ties the computer company to you. There is that syndrome where the salesman sells you something and does not need to come back to you. When you are renting, it is still their hardware and they have to look after you.

"We rent software too. Arguably it is even more important to rent software because you have constant upgrades. As an accountant I don't want the software as a capital asset on the balance sheet," says Hankey.

He is keen to expand the system and is currently experimenting with the use of facsimile and telex links so that every terminal in the system can send messages. There are also plans to make greater use of portable computers so that solicitors can work on the move and connect into the company network.

Hankey uses a Unisys Powerport portable for his own report writing and to build small applications in the Progress language: "We are using Progress to develop our own reports – which brings some advantages. On the big Unix box we have a run-time licence. But on the portable we have a full licence. This means I can develop things on the portable and then push them across to the Unix box."

Despite his personal enthusiasm for the technology Hankey is realistic about its effect on a company and believes that data integrity and trust in the system is paramount. "We have auditors from the Law Society, the tax office and the DSS so the data must be absolutely correct. If there is a single error the whole system loses credibility."

But Hankey notes that there is predictable shift in attitudes about a new computer system when it is introduced: "There is a very interesting cycle which occurs when you introduce computer systems. Day one – it is put in with great expectations and, after a month, people want to know where all of these fantastic reports are. After six months they still have not got them, because there is no history in the system.

"After a year, there is total rejection of it. But by the end of 18 months you can start producing comparative data and the users see information they have not seen before – fluctuations in work in progress or your debtors' position. After two years they start to believe that it is right because the trends which it has shown start to ring true."

Tim Hankey: 'We don't own the hardware and don't want to'

■ BUZZWORDS

FOURTH-GENERATION LANGUAGES were devised so that non-technical computer users could build simple programs. They use plain English to state a user's requirements, for example "Print Sales Report".

RUN-TIME LICENCES refer to a type of agreement between software suppliers and purchasers. Suppliers do not sell software outright, and this licence gives the purchaser the right to use the package only in its final form. A full licence give the purchaser rights to develop the package further.

CONSULTANT'S CRITIQUE

Sometimes it pays to go against accepted practice. Steele & Company prefers to rent rather than buy computer systems. In accounting terms this make little sense. Since the rental company carries the depreciation charges, it must pass them on to the customer or make a loss. So the renter pays all the depreciation and has to add a profit margin on top.

As a balance sheet manipulation technique, it has little to commend it either. Most auditors treat software as a form of consumable and write it off in the first year.

Hardware is usually written down straight-line over three years. The residual value of three-year-old hardware is zero in most cases.

It is only worthwhile if the rental adds some value. For short-term rentals this value is gained by the flexibility in obtaining and returning the equipment. Steele & Co gains its value from rental by the ties it creates with the system provider. Getting support on computers, once installed and running, is notoriously difficult. By renting, Steele forces the vendor to be more attentive to problems. It also frees them from risks of failure in high-cost items.

Steele has also reduced the maintenance costs by a third. Usually, support contracts cost 15 per cent of the original purchase price. Steele is paying only 5 per cent of the capital value.

Software is more akin to a subscription than a purchase. Every major PC software package is updated annually. Each update costs £50-£99 which is typically 10 per cent to 30 per cent of the retail price. Most users take these upgrades without question, providing a steady stream of revenue to the software developers.

The problems in accepting new technology that Hankey describes are typical. Computer systems are binary both in their construction and in peoples' attitudes – either on or off, with nothing in between. A new system is seen as a panacea by some and a threat by others. As with any tool, the gains are realised only by perseverance and practice.

Kevin Grumball

The author is a consultant at Software Design and Construction, of Milton Keynes

BUSINESS LAW

Database copyright raises dilemma

By Celia Hampton

The legal tensions resulting from the European single market are highlighted in the current proposal to introduce a uniform protection for databases. National laws are particularly discordant on this issue, with copyright denied by some and given generously by others. Predictably, the industry has developed most strongly where the protection is greatest – the UK.

Comparable, preferably identical, legal treatment in all the countries of the single market is desirable, especially in view of the ease of access provided by telecommunications in this market. Distortions will inevitably emerge if users have to pay fees for access to a database in one country, while in another they can copy it with impunity.

Yet any uniform legal treatment must be acceptable in all member countries. If some are to gain, any loss to the others must be perceived as necessary and manageable. The solution proposed by the EC Commission might improve the protection of databases in some places, but it would seriously limit the protection already available in the UK (and also in Ireland).

The draft directive would provide two distinct sorts of protection. First, a specific 10-year protection would give the database owner an exclusive right not to have data unfairly extracted from the database. The public interest in having access to the information would be balanced by, for example, compulsory licensing of the extraction and reuse for commercial purposes of the material on the database if this was not available elsewhere.

Second, the draft would extend regular copyright to databases on the analogy of collected works (such as anthologies), provided that the selection and arrangement of the collection were the original "intellectual creation" of its author. This was inspired by the protection of collected works under article 2(5) of the *Berne Copyright Convention*, which all EC countries have ratified.

That formula was agreed long before the invention of computers and, although it might allow an unobjectionable extension of non-UK concepts of copyright, is not appropriate for this purpose. The requirement of original selection or arrangement is problematic where the selection is exhaustive or where the arrangement is commonplace: arrangement of material in alphabetical order would not be regarded as an intellectually creative process anywhere except the British Isles.

Even if the database were created by original selection and arrangement, the proposed copyright would not cover the materials contained in the database. However, the "reproduction" of the database, in full or in part, would be restricted by copyright. This is rather difficult to understand; it suggests that use of material from the database would be restricted only if it replicated the selection and arrangement. In cases other than outright piracy, it would surely be the material contained in the database that people would want to copy.

A database is simply a collection of information which, for present purposes, is electronically managed. It may be about anything at all – from telephone numbers to share prices, from racehorses to law – and may well be a collection of facts. The assembly of information almost always has a commercial value; the work of assembling it invariably involves a labour cost.

A database normally includes all the information on a given subject. This feature often gives the database its peculiar value: selectivity of the contents would make it less valuable in the hands of the users, whose needs may be diverse. The database owner indexes the information so that the user can readily gain access to certain items. The user, rather than the owner, makes the selection.

This comprehensive quality distinguishes UK law which, almost alone in the world, is willing to protect a mere assembly of facts with the full majesty of copyright. Most other copyright laws only protect the product of personal creativity, while unfair competition law protects the product of hard work from being purloined by other people.

The difference between UK and continental copyright is embedded even in the terminology: copyright means the right in a text, while continental laws refer to the "right of the author" (*droit d'auteur*, *Urheberrecht*). US law limits copyright in collections of facts to those which have some element of originality in their selection, co-ordination or arrangement.

Although UK law does not protect a fact itself with copyright, it protects the expression of several facts in one place. For example, BT does not have copyright in my telephone number, so I am free to publish it and, moreover, to publish other telephone numbers I know personally. But I need BT's permission to publish names and numbers lifted in bulk from its own directory.

The draft directive would lay down not only the minimum protection EC countries would have to give databases, but also the maximum. If EC law said that there would be no copyright in compilations of facts, UK law could not give any. The resulting loss of protection under UK copyright law would deal a body blow to the information industry.

Hamish Sandison of Linklaters & Paines, who has made a study of database protection in the EC, US and UK, takes the view that any meaningful protection for computerised databases under copyright law must cover the product of hard work, as well as of more intellectually creative activities.

Although it raises a number of questions, the proposed 10-year protection is fundamentally less controversial than the copyright proposals. But simply leaving copyright to national law, apart from failing to help the single market, would have drawbacks.

One is the rather awkward case law of the European Court of First Instance in the *Magill* litigation, now on appeal to the European Court of Justice: an exclusive right must not be exercised in such a way that it impedes development of competition in the market.

Leaving copyright law alone would probably lead many commercial databases to set up in the UK or Ireland. They could then make their contracts with users subject to English or Irish law, including copyright law. Even if the advantage to the UK and Ireland were swallowed by other EC countries, this solution might not work: enforcing the contract against a user in another country might be challenged on the basis that it offended local notions of public policy (*ordre public*), and problems might arise where the database passed out of the contracted user's hands, for example on a compact disc.

UK copyright is admittedly something of a sledgehammer: the owner has exclusive rights over the compilation for at least 50 years. The courts extended copyright in lists of facts to fill the gap left by the absence of unfair competition law. *Droit d'auteur* lawyers would object to this, because the compiler could exclude others from access to facts which should be in the public domain. UK lawyers, however, already have to live with the EC concept of abuse in the exercise of an exclusive right.

A possible solution would be to extend UK copyright throughout the EC for electronic databases. The 10-year protection would then be redundant, and the licensing provisions would have to be attached to the new copyright. But this would discriminate between computer-based and other compilations, and a conflict would arise where the database was not wholly electronic ("arranged, stored and accessed by electronic means", in the words of the draft).

UK business might be willing to accept a curtailment of copyright if UK law – including any EC directive – embodied a good general protection against unfair competition.

The Commission's present draft misses the point. An extension of the *droit d'auteur* to cover compilations concentrating on selection would normally be useless because any selection process contradicts the purpose of most databases. Worse, it would destroy the existing protection provided by UK law. Unless a better Europe-wide system can be devised, the UK model gives the young European database industry a benign helping hand in international competition.

The author is executive editor of Financial Times Business Law Brief.

PEOPLE

Regional attraction for Dighe

Singer & Friedlander, the merchant bank, has appointed Ian Dighe a director with responsibility for expanding corporate finance operations in the Midlands from a base in Birmingham.

For Dighe, the appointment is one of a series which has taken him through the worlds of banking, accountancy, industry and individual consultancy, always working in financial and managerial capacities.

Immediately before joining Singer & Friedlander, he was an executive director at McLeod Russel, the surface coatings and property company, where he was in charge

of acquisitions and disposals.

His appointment is unusual in two senses. First, merchant banks have been retrenching in the regions rather than expanding. "There is no point in having regional offices unless you have them fully staffed in all disciplines," Dighe says, with an eye on providing corporate advice especially to companies with a market capitalisation of less than £150m.

Second, according to Dighe, "there are very few jobs where you get a high degree of autonomy and a task to get on with."

Dighe, 37, and married with three children, is also attracted to the Midlands for an extra-curricular reason. He is a country pursuits and shooting man which is, he says, "why I'm not anywhere near London."

Finance moves

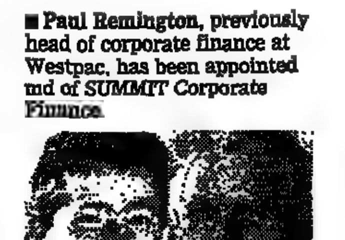
■ **Derek Pearmund** is appointed general manager, member relations, of VISA INTERNATIONAL's Europe, Middle East and Africa region. He is one of six general managers running the region.

■ **Tim Sanders**, formerly group strategic planning manager for Bunzl, has been appointed a director of SWISS BANK CORPORATION responsible for European m&a advice for the paper, packaging and plastics industry.

■ **Warwick Jones** has been appointed deputy finance director of HILL SAMUEL BANK.

■ Following the merger of the two societies, **Peter Spence**, md of Southdown Building Society, has been appointed a director of LEEDS PERMANENT BUILDING SOCIETY.

■ **Paul Remington**, previously head of corporate finance at Westpac, has been appointed md of SUMMIT Corporate Finance.



■ **Peter Walsh** (above left), general manager (finance and planning), and **Stephen Hoole** (above right), senior general manager, are appointed to the board of the CHELSEA BUILDING SOCIETY.

■ **Bob Neville**, director commercial operations for Rover Cars, has been appointed director and general manager of ROVER FINANCE.

■ **David Brougham**, director of banking at STANDARD CHARTERED, is appointed chairman of its Chartered Trust subsidiary in succession to the late **John Hoddell**.

■ **Tony Thomson**, formerly a director of Gartmore Investment Management, has been appointed chief international investment officer of BANKERS TRUST based in London.

■ **Tony Gration** has been appointed company secretary of NATIONAL COUNTIES BUILDING SOCIETY on the retirement of **Michael Perks**. He was secretary of Southdown Building Society.

■ **Nicholas Farley, Peter Johnson, Michael Killian, Peter Kurz, Mark Lawrence** and **William Stephenson** have been appointed directors of BARING SECURITIES.

■ **Peter Morris**, operations director of Security Pacific Hoare Govett, is appointed European sales and marketing manager, trading & exchanges, for DIGITAL Equipment Corporation.

■ **Alan Thomson** has been appointed a director of the BANK OF WALES.

Insurance moves

■ **Ian Smith**, a Scottish actuary, has taken over as head of the world's biggest insurance broker and professional services organisation, Marsh & McLennan.

Smith, 58, has been appointed chairman of the board and chief executive officer of Marsh & McLennan Companies Inc, where he succeeds Frank Tasco. Tasco, 64, will now take over as chairman of the executive committee of the board of directors.

Smith, a fellow of the Faculty of Actuaries, joined Marsh & McLennan's William M Mercer human relations consultancy firm in Toronto in 1961.

Robert Clements, 59, has been elected president of Marsh & McLennan. He has been with the group since 1959.

■ **Dennis Purkiss** marked his 40th birthday on Tuesday by increasing his responsibilities at the head of the Merrett Group, one of the the biggest underwriting agencies at the Lloyd's of London insurance market.

Purkiss, who has been chief executive of the underwriting division for a year, assumes the position of group chief executive, and will now superintend the group's insurance services operations and loss adjusting activities.

After 15 years with Eagle Star, Purkiss joined Merrett in 1985 where he became underwriter for syndicate 421, one of the group's marine syndicates. In 1989 he was appointed managing director of the Merrett Underwriting Agency Management, which manages both syndicates, and also joined the board of Merrett Holdings.

■ **David Hollas** has been appointed general manager and chief actuary (life), **Bill Webb** as general manager (non-life), **Peter Kirkham** general manager (administration) and **Frank McCudden** general manager (agency and marketing) at the CO-OPERATIVE INSURANCE SOCIETY.

■ **Dick Evans** has been appointed general manager information systems at PEARL ASSURANCE.

■ **Martyn Beesley, David Harrison, Tim Hope, Fergus Johnstone** and **Chris Mikkelson** have been appointed directors of McLARENS.

Adman turns to leisure

Reorganisation within Granada's leisure division brings in Roger Mavity from the advertising world to run one of the two new divisions, Granada Leisure Development, comprising hotels, theme parks/tour operations, and UK and Irish travel businesses.

Mavity, 47, had built up his own advertising agency Mavity Gilmore, the bulk of which he sold to FCA Group in 1988. He stayed on, however, until the end of last year as chairman of FCA Mavity, running the UK business, and also sitting on the international board. But his years in the business had increasingly convinced him that "advertising is not the solution to every problem", and he also felt ready, after running his own show, to work within a larger group.

Charles Allen, recently appointed chief executive of the leisure operation, is a fellow Irishman and colleague, from their days at Compass, of Gerry Robinson, the Granada boss. He had got to know Mavity when the latter had done some assignments for him at Compass, and had been struck by his combination of "management ability, sales and marketing know-how and entrepreneurial skills. They don't normally come together in one person," remarks Allen.

At the same time, John Williams, chief executive of Granada Studio Tours, becomes managing director of Granada theme parks and hotels. Starting out as a management trainee at the Horserace Betting Levy Board, he managed Sandown Park before joining Granada Television in 1978.

Cinema/Nigel Andrews

Rhythms to make old nannies young again

The Mambo dance craze swept the West in the early 1950s. Aged about three at the time, I was able to resist its infectious Latin American rhythms. Not so many others, including my nanny. She would steal my rattle and use it as a castanet, ruthlessly performing numbers like "Guantanamera" and "Mambo Caliente" over my defenceless pram.

Scarred by this experience, I expected to dislike *The Mambo Kings*, directed by Arne Glincher from a screenplay by Cynthia Cidre based on Oscar Hijuelos's Pulitzer Prize-winning novel. Instead the movie proves appallingly enjoyable. Everything is as overheated as in a Mambo song. Armand Assante as Cesar, a snake in human clothing, and Antonio Banderas as his younger brother Nestor, an innocent plucked from happy love in Havana, are the singing Cuban brothers who try to make it big in crime-ridden 1950s New York.

Assante manages to make it big almost everywhere, especially in bed. Here he enjoys the lovely, capacious body of nightclub cigarette seller Cathy Moriarty, a sort of human stretch-limousine.

Banderas falls for pretty Maruschka Detmers. And these four hurl themselves at a plot full of dance, song, jealousy, sex, murder and all the other things we might normally complain we get enough of at home.

The pace is so bright and pushy that it cannot be resisted. The villains snarl on cue – chiefly Roscoe Lee Browne as a black mobster trying to mop up the "Mambo Kings" for his own nightclub empire – and the dialogue is out of Raymond Chandler by Mae West. "He thinks he's the last Coca-Cola in the desert," cracks a girl in the dance-club crowd as she watches the delirious Assante dance with Miss Detmers. "He is, honey," drily retorts Miss Moriarty.

Then there is Desi Arnaz Jr as Desi Arnaz Sr, signing our heroes for an *I Love Lucy* show on TV. (Assante and Banderas are cleverly cut into black-and-white dialogue scenes featuring the late Miss Ball). There are fancy opticals from director Glincher, as the recurring image of a couple dancing across the screen "wipes" old scenes and paints in new ones. And of course there is the music: Tito Puente, Duke Ellington, Beny More – my nanny would be in heaven.

* * *

In *Medicine Man* Sean Connery is a scientist working in the Amazon. Though described by his new workmate Lorraine Bracco as "Dr Mengele with a pony tail", he is more like Tarzan with a test tube. He swings

THE MAMBO KINGS
Arne Glincher

MEDICINE MAN
John McTiernan

THE ADJUSTER
Atom Egoyan

RUBY
John Mackenzie

between 100-foot trees while collecting rare bromeliads which he has successfully used on the local Indians as, yes, a cure for cancer.

Unfortunately he has now forgotten the formula. When young Miss Bracco arrives loud and yacky and businesslike ("I'm surprised they sent a woman," says someone, unschooled in the ways of Hollywood), he plays Bogart to her Hepburn.

Shambling about his hangar-size shack, he raves in dishevelled fashion against women, civilisation and bureaucracy. He can afford to. He lives in Paradise, photographed by Donald McAlpine as if he and his camera crew had been force-fed with Rousseau paintings.

He is surrounded by naked tribeswomen, ogled by director John McTiernan (*The Hunt For Red October*). And he practises golf swings in a jungle clearing. This is burying oneself in the wild for the benefit of humanity?

Tom *Dead Poets Society* Schulman took a cool $1m for his original screenplay, which on reaching screen seems one of the silliest in memory. When not trying to put the eek back into ecology – snakes in the rafters, heroines dangling over 800-foot chasms – the film attempts to be a screwball romance between an ageing Superdoc and a young tomboy.

But you cannot create comedy or sexual chemistry in a vacuum. This jungle is nowhere, this plot is a non-starter; and the only time I inwardly cheered was when Miss Bracco, tasting a rare jungle bean, declared that it would "knock Maxwell House right off the shelf." Could this be the first example of product displacement in the cinema?

* * *

The Adjuster is one of those films in which the quality of strain has no mercy. Canadian writer-director Atom Egoyan is fascinated by the depersonalising drift of the modern world.

We know that already from his earlier, better films: from the family torn apart by couch-potato callousness in *Family Viewing* or from the ugly mergers of big business and private porn in *Speaking Parts*.

His new film repeats the old themes in a plot so poorly glued together you want to hand it back for re-assembly. Insurance claims "adjuster" Elias Koteas preys upon females who have lost their homes in fires, seducing them at the Mishap Motel where his company puts them up.

Meanwhile, the new house he himself has bought in an otherwise uninhabited new estate is about to be invaded by a porno-minded film-maker who likes its privacy.

Oh and Mr Koteas, an amateur archer, sometimes shoots arrows at developers' signs. Toxophily, as Theodore Roosevelt almost once said, and carry a big stick. Egoyan's big stick is aimed at the evil ways in which primal emotions and Platonic ideals in today's world have become shadows of shadows: love turning to sex, care to welfare, order to bureaucracy.

Fine themes but fatuous treatment. Egoyan has succumbed to the reductive evils he aspires to expose. He prefers the flashy well-labelled image – the arrows of righteousness, the opening scene of a sick old tramp rescued from subway death by a rich lady – to any exploration of who these people are and what, apart from the film-maker's clockwork symbolism, makes them tick.

* * *

"I dunnit so one day everything's gonna have to be brung out in the open," says Danny Aiello in *Ruby*. Little could the real Jack Ruby have known, when he shot Lee Harvey Oswald in a Dallas police station in 1963 with the world's watching TV cameras still in shock after JFK's death, that 30 years on, every imaginable who-did-what scenario would have been "brung out" by the movies.

Ruby is to JFK what an elephant with a twisted ankle is to a gazelle on steroids. Scripted by Stephen Davis from his stage play *Love Field*, the film plods from one shoe-string set to the next – Ruby's sleazy Dallas nightclub, a "luxury" Las Vegas hotel that looks like a down-market Days Inn – as Aiello's too too stolid Ruby sorts through, or is sorted through by, the usual shopping basket of conspiracy candidates: Mafia, FBI, CIA, CBI, BFI, YMCA. . .

The tedium is briefly relieved by the headline scenes: the tingle of history has not left Dealey Plaza or that Dallas police basement. But nothing redeems a film which tries to gain a box-office fillip by such putrid gimmicks as inventing a Monroe-like heroine – Sherilyn Fenn as a stripper made privy to State secrets. John Mackenzie of *The Long Good Friday* directs.

Finally, two neglected Maurices. My reviews of Maurice Pialat's *Van Gogh* (12, Lumiere) and Maurizio Nichetti's *Volere, Volare* (15, Metro) fell off the bottom of my column recently, due to the space demands of Miss Dietrich's death. Both films are still playing and one is worth seeing. Nichetti's comedy about a cartoon film sound-dubber, taken over by the creatures whose moos and honks he imitates, has enough ingenuity to make up for a wandering plot-line. Like *Who framed Roger Rabbit*, it deftly mixes animation with live action.

Little animation, alas, in Pialat's account of Vincent V.G. (Jacques Dutronc) as a low-energy épateur of the bourgeoisie living in picture-pretty Provence. Bring back Kirk Douglas in *Lust For Life*.

Reconstruction of a famous scene: Jack Ruby (Danny Aiello) shoots Lee Harvey Oswald (Willie Garson) in a Dallas police station in the film Ruby, directed by John Mackenzie

Music in London

Hvorostovsky and Borodina

David Murray

Between performances of *I Puritani* at Covent Garden, the young Siberian baritone Dmitri Hvorostovsky found time for a Barbican concert on Tuesday. It was an excellent idea to present along with him the St Petersburg mezzo Olga Borodina (a year younger), but odd to give her conspicuously second-fiddle billing; in fact they took equal shares in the music.

They sang Italian opera – Bellini, Ponchielli, Donizetti and Rossini – with the City of London Sinfonia, conducted by Julian Reynolds. The orchestra also delivered four matching overtures, quite expertly but without the fizz and brio for Rossini. (Reynolds was disarmingly genealogised in the programme-book as "of Russian, German and English decent": just so.) As accompanists, they were entirely satisfactory, and the programme happily favoured their fine first cello.

Reports of *I Puritani* have said that Hvorostovsky sounded underpowered. Perhaps at the Barbican he wanted to strike back: he opened up impressive reserves of power, and (like Miss Borodina) chose to sustain climactic notes with maximum force – once, even, after the orchestra had ended the music. At that level of attack, his timbre still boasted plenty of depth and density, not always "beautiful" in the narrow sense. His boyish pout-and-grin, and his open-armed manner, made a piquant contrast with a voice that is surely aimed toward the bass-baritone range.

The King Alfonso of Donizetti's *Favorita* suited him best, from stentorian protest to a melting duet with Borodina's "Favorita". In their *Barbiere* excerpts he made a brusque, slightly dangerous Figaro (imagine "Largo al factotum" sung as if it were Basilio's "Rumour"-aria). With his dark, covered vowels, mercurial Italian delivery is not his forte, though *forte* it certainly was. There, Miss Borodina shaded him.

In La Cieca's aria from *La Gioconda*, and as Leonora in the *Favorita* excerpts, her unstinting warmth and easy dignity explained at once the sensation she created at Edinburgh as Mussorgsky's Marfa. In the *Favorita* duet, she and Hvorostovsky sang like loving twins. With Rossini, however, a new facet was displayed to brilliant effect: in coloratura, Borodina bids to be a worthy heir of Marilyn Horne.

I would bet that she knows Horne's account of the *Semiramide* "Ah! quel giorno" very well indeed, but she gave her own stamp to that spectacular aria. Resilient poise and pounce, if not quite Horne's electrical snap and crackle; and in certain phrases, a bonus of lusty *tendresse* over Horne's patrician sweep. For the *Barbiere* Rosina she revealed a further range of comic and romantic airs and graces, crowned by a playfully dramatic "Una voce poco fa" of real distinction.

There is clearly a lot more of the Borodina potential to be explored, with high expectations. We hear her soon at the Royal Opera, with Domingo in *Samson et Dalila*.

Oedipus rex

Max Loppert

The London Philharmonic Orchestra and the male half of the LP Choir delivered a high-octane performance of Stravinsky's "opera-oratorio" on Tuesday: sung by a group of first-rate solo singers, riproaringly delivered by orchestra and chorus, and highly worrying.

The conductor was Franz Welser-Möst, the LPO's music director, who here evidenced only the faintest familiarity with the tenets of Stravinsky style. A sudden unlicensed spurt on the accelerator pedal halfway throught the granitic opening chorus was a warning sign that proved all too timely. For, throughout the work, Mr Welser-Möst sought speed and noise, surface show and drama at the expense of plain musical intelligibility.

It is quite a feat to drown out a bass as naturally powerful as John Tomlinson, the Creon, but conductor and orchestra managed it – as indeed they did the quadruple "Divum Jocastae" cries of Peter Coleman-Wright's potentially impressive Messenger.

Stravinsky's score works its lapidary magnificence through the exact place and change of gesture and scene, through the cutting edge of "antique" harmonic and textural invention. In this slam-bang reading, which paid scant attention to the timing of sentences and paragraphs, to letting air into the sound, the magnificence largely went missing.

Anthony Rolfe Johnson's agile, liquidly lyrical, emotionally forceful Oedipus, Marjana Lipovsek's bronze-toned Jocasta, the authoritative Shepherd of John Mark Ainsley and Tiresias of Alastair Miles, and the elegantly matter-of-fact narrator Lambert Wilson deserved better.

Earlier, the programme had offered Young Uck Kim's scrupulously musical but small-scale account of the Prokofiev First Violin Concerto, and a simply frightful *La Valse* as concert-opener – un-Ravellian in coarseness of loud sound, utterly lacking in wit and irony, a linked series of firecracker climaxes rather than (as the composer imagined) a "fantastic and fatal whirling".

Mr Welser-Möst is young and hugely talented, but at the head of one of London's big orchestras, the handicaps of his inexperience become ever more widely exposed.

Royal Festival Hall. (Concert under the auspices of the Royal Philharmonic Society, sponsored by Commercial Union).

Alastair Muir

Derek Jacobi as Byron, with Isla Blair

Mad, Bad and Dangerous to Know

Andrew St George

On 2 January 1815 Lord Byron awoke and found himself married: "Good God, I am surely in Hell". One feels the same watching *Mad, Bad and Dangerous to Know*, the life of Byron at The Ambassadors Theatre. One is forced to be intimate with someone one does not recognise.

This distillation of extracts from Byron's letters, table talk, diaries and poems is neither mad nor dangerous. Neither is it quintessential Byron, far from the pan-European hero, exile and archetype who died at Missolonghi in 1824.

The author-director, Jane McCulloch, an experienced writer of theatre-biography, spreads the action too thinly across the available material. The enterprise courts superficiality: 36 years of hard living, facile writing and stormy friendships cannot be compassed in two hours on stage.

The play's problem starts with its chronological approach. McCulloch rightly wants one to know the extraordinary life, but in finding sequence, the play loses focus and depth. Each scene closes neatly, but does not help our understanding of Byron; instead it offers where he was and when. The interventions arrive clumsily: "So here I am at Cambridge" (Byron), "I like being Lady in Waiting to Queen Charlotte" (lover) or "He was well aware that *Don Juan* would cause a stir" (narrator).

The difficulties continue by ignoring Byron's misanthropy and melancholy, "the deep midnight of the mind," the sense that Byron's life, like Keats's and Shelley's before him, became a Romantic way of dying. The play lacks the shadows and inwardness, those essentials of Byronic man. It rarely touches on the misogyny – "Do you know? I *hate* women" – which drove Byron to devote himself so much to loving and leaving.

It is even more disappointing that *Mad, Bad* has moments of achieved success, particularly in the interchanges between Byron and Lady Caroline Lamb, in "She Walks in Beauty", and in Byron's letter of 1813 warning that pleasure can be anticipated or recalled, never experienced. These scenes generate intensity and demand concentration. They need refining and fashioning.

The lighting and music conspire to be culpably anodyne. Both are well but wrongly done: few changes of lighting give little visual variety; and in a play about Byron, why not *one* glimmering taper or midnight study scene? The music (settings of Byron's poems) is shapely, and accurately sung; but why not *one* contemporary tune from Schubert or Beethoven?

Mad, Bad and Dangerous to Know survives because of superb acting by both Derek Jacobi (Byron) and Isla Blair (the women and narrator). They redeem and carry what should be a much better show. Of course, Byron has a word for harsh reviewers:

"A man must serve his time to every trade
Save censure – critics all are ready made."

Ambassadors Theatre, London. (071) 836 6111

INTERNATIONAL ARTS GUIDE

BARCELONA

Palau de la Musica 21.00 Piano recital by Alicia de Larrocha (268 1000). Tomorrow and Sat in Gran Teatre del Liceu: L'elisir d'amore (412 1466)

BERLIN

CONCERTS

Schauspielhaus 20.00 Milan Horvat conducts the Berlin Symphony Orchestra in the world premiere of Lutz Glandien's new Tuba Concerto (Michael Vogt) and Mahler's Fifth Symphony, repeated tomorrow and Sat. Sun: Les Percussions de Strasbourg give opening concert of percussion festival (East Berlin 2090 2156). Tomorrow and Sat in Philharmonie: Bernard Haitink conducts the Berlin Philharmonic Orchestra in Mahler's Seventh Symphony (West Berlin 2548 8232)

OPERA/THEATRE

Theater des Westens 20.00 Ute Lemper stars in a new production of The Blue Angel, directed by Peter Zadek. Daily except Mon (West Berlin 3190 3193)

Deutsche Oper 18.00 Jiri Kout conducts Gotz Friedrich's production of Die Walküre, with Anne Evans, Poul Elming, Robert Hale and Matti Salminen. Tomorrow: Aida. Sat: Die lustigen Weiber von Windsor. Sun: Siegfried with René Kollo in the title role (West Berlin 3410 249)

Staatsoper unter den Linden 18.00 Tannhäuser with Reiner Goldberg and Anna Tomowa-Sintow. Tomorrow: Entführung. Sat and Sun: Rudolf Nureyev's production of Sleeping Beauty (East Berlin 2004 762)

Komische Oper 19.00 Rolf Reuter conducts Harry Kupfer's production of Le nozze di Figaro. Sat: Die schweigsame Frau with Siegfried Vogel as Morosus. Sun: ballet premiere (East Berlin 2292 555)

BOLOGNA

Teatro Communale 20.30 Riccardo Chailly conducts first night of Roberto de Scimone's new production of La Cenerentola, with Cecilia Bartoli, Lucio Gallo and Claudio Desderi. Runs till June 17, with next performances on Sun and next Tues (529999)

BONN

Oper 19.00 Rosalinde, ballet by Ronald Hynd with music by Johann Strauss. Tomorrow and Sun: Simon Boccanegra. A new production of Die Walküre opens on June 7 (773667)

Werkstattbühne 20.00 Jakob Lenz, chamber opera by Wolfgang Rihm. Repeated on Sat (773667)

CHICAGO

Orchestra Hall 20.00 Klaus Tennstedt conducts the Chicago Symphony Orchestra in symphonies by Mozart and Beethoven, repeated tomorrow afternoon and Sat. Sun afternoon: piano recital by Robert Levin (435 6666)

COPENHAGEN

Tivoli Koncertsalen 19.30 Steen Lindholm conducts Elgar's The Dream of Gerontius. Tomorrow: Roland Pontinen plays Stravinsky piano music. The Tivoli has daily recitals and symphony concerts throughout the summer season (3315 1012)

LEIPZIG

Gewandhaus 20.00 Lothar Zagrosek conducts the Gewandhaus Orchestra in works by Mozart, Hindemith and Stravinsky. Repeated tomorrow (7132 252)

LONDON

THEATRE

- A Midsummer Night's Dream: first production of New Shakespeare Company's summer season in Regent's Park, directed by Ian Talbot. Previews tomorrow and Sat, opens on Mon (Open Air, 071-486 2431).
- The Rules of the Game: Pirandello's rarely-performed 1918 sardonic comedy. Until June 27 (Almeida 071-359 4404).
- Loot: Joe Orton's classic black comedy. Until June 6 (Lyric Hammersmith 081-741 2311).
- The Night of the Iguana: Tennessee Williams' play on the effects of sexual repression, in repertory at the Lyttelton with Molière's Le Bourgeois Gentilhomme and Alan Bennett's The Madness of George III. The Olivier has final performances of David Hare's play Murmuring Judges, followed next week by G B Shaw's Pygmalion (National Theatre 071-928 2252).
- For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC

Covent Garden 19.30 La bohème, with Angela Gheorghiu and Roberto Alagna. Tomorrow and Mon: I Puritani. Sat and Tues: Salome with Maria Ewing (071-240 1066)

Coliseum 19.30 John Buller's new Euripides opera The Bacchae. Tomorrow: Monteverdi's Ulysses. Sat: Madam Butterfly (071-836 3161)

Royal Festival Hall 19.30 Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in works by Schumann, Brahms and Richard Strauss. Sat: John Lill is piano soloist in a Beethoven programme conducted by Libor Pesek. Sun: Lynn Harrell plays Shostakovich's Second Cello Concerto (071-928 8800)

Barbican 19.45 Jeffrey Tate conducts the ECO in works by Saint-Saëns, Fauré, Franck, Chausson and Massenet, with Cécile Ousset piano soloist. Tomorrow: Krzysztof Penderecki and Radu Lupu take part in a gala concert in aid of the rebuilding of Cracow Philharmonic Hall (071-638 8891)

MUNICH

Staatsoper 19.00 Cav and Pag, with Piero Cappuccilli and Nelly Miricioiu. Tomorrow and Sun: Minkus' ballet Don Quichotte. Sat: Sawallisch conducts Der fliegende Holländer. Mon and Tues: Sawallisch conducts Strauss and Schumann symphonic programme (221316)

Gärtnerplatztheater 19.00 Wie einst im Mai, operetta by Walter and Willi Kollo, also Sun. Tomorrow: Oliver Knussen double-bill. Sat: Entführung (201 6767)

Philharmonie 20.00 Sergiu Celibidache conducts the Munich Philharmonic Orchestra in Brahms' Violin Concerto (Shlomo Mintz) and Beethoven's Seventh Symphony, also tomorrow and Sun morning (48098 614)

Kammerspiele 20.00 A R Gurney's Love Letters (in Werkraum). The repertory in the main theatre includes Botho Strauss' Schlusschor, King Lear and Ibsen's The Lady from the Sea (23721 328)

STOCKHOLM

Tonight's performance at the Royal Opera features extracts from Don Giovanni and Gluck's Orfeo, sung by members of the Opera House School, conducted by Siegfried Köhler. The Royal Opera season continues till June 16 (248240). Tomorrow and Sat at Drottningholm: Figaro or Love and Almaviva, pantomime ballet after Beaumarchais, choreographed by Ivo Cramer. The Drottningholm season runs till Sep 24 (660 8225)

STUTTGART

Staatstheater 19.00 Ingo Metzmacher conducts first night of Johannes Schaaf's new production of Lady Macbeth of Mtsensk, with Marilyn Schmiege as Katerina, also Sun and Tues. Tomorrow, Mon and Wed: La bohème. Sat: Béjart ballet double bill (19703)

VIENNA

Staatsoper 18.00 Fabio Luisi conducts Don Carlo, with Mara Zampieri, Giacomo Aragall, Leo Nucci and Evgeny Nesterenko, also Sun (with Baltsa and Bruson). Tomorrow: Tchaikovsky's Queen of Spades. Sat: Der Rosenkavalier (51444 2960). Tomorrow in Volksoper: Jan Latham-Koenig conducts first night of Christine Mielitz's new production of Nabucco (51444 3318)

Musikverein 19.30 Piano recital by Ivo Pogorelich. Tomorrow: Pinchas Steinberg conducts Rossini's Petite messe solonelle with Daniela Dessi, Anne Sofie von Otter, Francisco Araiza and Ferruccio Furlanetto. Sun: Lorin Maazel conducts the Pittsburgh Symphony Orchestra in works by Bartók, Stravinsky and Rakhmaninov (505 8190)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon). 2130-2200 (Thurs). 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100. 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday May 28 1992

Risks of too much hot air

THERE IS no such thing as a free breath. This is the point behind the debate on global warming at the Rio de Janeiro Earth Summit, starting next week. Anything that comes free of charge will be used to excess. So it is not difficult to accept, in principle, that as human activity increases, so will the costs of treating the air as if it were free. The difficulty is knowing how, and how far, to turn that principle into practice.

The starting point must be the nature of the risks and the costs of reducing them. The latest World Development Report from the World Bank reports scientific estimates that mean global temperature might rise by between 1.5° and 4.5° Celsius, with a best guess of 2.5°, as a result of the doubling of greenhouse gases above their pre-industrial concentrations. But the cost has been estimated at only about 1 per cent of US gross domestic product. This seems to be much ado about nothing.

Things are not that simple. As Bill Cline points out his study of global warming for the Washington-based Institute for International Economics, the doubling of greenhouse gases is expected to occur in the first half of the next century. But global warming is continuous. He offers a central estimate for global warming of 10° Celsius by 2300, with an upper limit of 18°. Six per cent of GDP is his best guess of the economic cost, with 20 per cent at most. More important, such a world would be radically – perhaps horribly – different from today's.

Nevertheless, even with a low rate of discount, the case for strong action is not overwhelming. Nor, given the time scale, is it overwhelmingly urgent. But a benevolent and risk averse global dictator would, undoubtedly, want to slow the build up of greenhouse gases, while mounting further studies of the risks.

Carbon tax

In a world with a multitude of very different states, reaching even so limited a decision requires much debate. The Rio summit is an excellent place to start. But the European Community's on-and-off again carbon tax shows what is in store.

A carbon tax is the right kind of policy. That said, the proposed tax of $10 a barrel would make little difference to the consumption of a commodity already taxed, on average, more than five times as heavily in the EC. Nor can much be said in favour of a tax that exempts the most energy-intensive industries. In short, the EC tax was a gesture. Now EC ministers have decided not to make that gesture. As a result, the EC's environment commissioner, Mr Ripa di Meana, has decided to make one himself, by not going to Rio.

This may be farcical, but the EC has at least stirred things up. It has also shown how hard it will be to reach international agreements. The lesson applies globally, but more so.

Hard issues

The issues are hard. First, the setting of uniform targets for emissions cannot make sense in a world of radically different countries. Second, no global compact can be agreed and enforced that does not redress the current grossly unequal use of the atmosphere. Last but not least, stabilising carbon dioxide emissions will hurt.

The World Bank suggests starting with a modest precautionary policy, focusing on research into global warming, the elimination of subsidies to wasteful energy use and the development of renewable energy resources. Afforestation would be part of such a strategy. So would higher taxes on the use of fossil fuels.

Should the dangers become clearer, property rights in carbon dioxide emission would need to be agreed, enforced and traded. But these would entail large redistributions of income. According to the World Development Report, the industrial world would have had to pay the developing countries $70bn to purchase 1988's level of emission, if the right had been sold at $25 per ton of carbon.

In the long run, air could become expensive. The political reaction to that possibility has been illustrated by this week's EC imbroglio over the carbon tax. But Rio is only a first step. If something like the World Bank's precautionary programme were implemented now, along with intensified debate, leading in the long run to property rights in the atmosphere, Rio would be a breakthrough.

Tightening up governance

THE REPORT of Sir Adrian Cadbury's committee on corporate governance has more to offer than might have been expected from a group so obviously composed of the great and the good. With the support of the London Stock Exchange, the investment institutions and the accountancy profession, there is every chance that a range of pragmatic and mainly constructive proposals will contribute to higher standards of boardroom behaviour and financial reporting across the country.

If there is a problem with the report's recommendations, it is simply that expectations have been running high, in the wake of a succession of corporate scandals. It seems questionable whether those expectations will be fully satisfied by the incremental approach to reform that Sir Adrian and his colleagues have adopted.

This is not wholly the fault of the committee itself, whose terms of reference were narrow. When it was set up a year ago, the committee was asked to address only the financial aspects of corporate governance, with a view to restoring confidence in financial reporting and auditing practice. Within that framework the important question is whether the committee has been prepared to confront directly the conflicts of interest that go most of the way towards explaining manifest weaknesses in the chain of accountability from management to shareholders.

Selection process

Earlier attempts to address the problems that stem from the divorce between ownership and control in quoted companies have placed emphasis on the role of outside directors. Cadbury seeks to build on this by calling for a more formal selection process for non-executive directors, who are free from business or financial connections with the company. A key recommendation is that the outside directors should be able to take independent professional advice at the company's expense, which would significantly strengthen their position.

This is sensible as far as it goes, but in the controversial area of executive pay, the report falls conspicuously short. The suggestion that companies should provide more detailed information and explain any performance-related elements in the pay package is undeniably welcome; but putting the names of a mainly non-executive remuneration committee in the directors' report and requiring its chairman to answer to the annual general meeting is no substitute for a shareholders' vote on directors' remuneration.

Curious argument

This was rejected on the ground that it would be hard to persuade executives to change jobs if their pay was subject to approval at an AGM – a curious argument that assumes that shareholders including the big institutions will not see the case for sensible remuneration packages.

Where the audit is concerned, the committee recognises that it is, in practice, the management that retains the right to hire and fire the auditor. It therefore seeks to buttress the auditor's independence by establishing audit committees for all companies, the rotation of audit partners within firms and direct access for the auditor to non-executives on the board.

One of the shortcomings of the report is its failure fully to recognise that the non-executive directors are part of the problem rather than the solution. As long as the outside director's responsibilities are legally the same as those of the executive directors it is hard to believe that the relationship between the two animals will be other than cosy. Outside directors will continue to identify with the leadership of the company at the expense of the control function that they are expected to exercise.

Similarly, auditors will always have too cosy a relationship with management if shareholders have no real say in the appointment and audit business becomes a loss-leader for other financial services. Yet Cadbury sees no way in which shareholders could be brought into the procedures for appointing and remunerating the auditor. Nor does the committee accept the case for a ban on consultancy.

By providing a clearer definition of responsibilities, the committee may well succeed in mitigating some of the damage arising from these fundamental conflicts. But it will not, inevitably, be the last word.

John Plender on the pressures placed on the banking system by difficulties in the commercial property market

Low-tech risks for high finance

If you had asked a central banker five years ago to identify the most worrying threats to the banking system, he would probably have talked at length about the accelerating pace of financial innovation and the proliferation of complex new financial instruments that were beyond the capacity of most bankers over the age of 40 to understand. How ironic that the chief threat in the 1990s comes from that most low-tech and comprehensible of assets, commercial property.

The collapse of the UK property group Mountleigh, with outstanding debts of more than £¼bn, and now the likelihood of receivership or administration for the UK operations of Olympia and York of Canary Wharf fame, are just the latest in a series of items of bad news for the banks in property. The Canadian-based Olympia and York is admittedly in a category of its own, in view of its size and the complexity of its international financial arrangements. Mountleigh, meantime, is a bit of an oddball in the rather different sense that its troubles stem partly from the efforts of (recently departed) American entrepreneurs Nelson Peltz and Peter May, whose *entrée* to Mountleigh owed more to the patronage of jailed US junk bond financier Michael Milken than to any conspicuous property talents.

For the battle-weary in the City, it is tempting to respond to this latest disaster with a rhetorical question: so what's new? It is now common ground that the commercial banks vetted individual risks in property lending without considering the implications for the whole portfolio of loans.

It may seem hard today to grasp how Barclays' outgoing chairman, Sir John Quinton, could have shared responsibility for an unsustainable 35 per cent compound growth in the bank's property loan book in the six years to 1991, far faster than the other clearing banks, given that he had played a central role in running the clearing banks' lifeboat operation in the fringe banking and property crisis of the mid-1970s (see chart). Yet it has to be seen, say the apologists, in the context of the heady climate of the late 1980s.

Nor was Barclays out on its own. Citicorp, once the world's biggest bank, operated even more impressively in the boom years as a kind of gigantic corporate centipede. If it shot itself in the foot, it consoled itself with the thought that there were ever so many feet to go. Alas, by last year it was down to four feet and the Bank for International Settlements had decreed that it must have eight to maintain the present volume of lending. Back to the gun room for further inspiration.

As for the problems of the property market, the existence of a huge oversupply of space and of the related overhang of £40bn-plus of bank debt – three times the level, in real terms, of the last crisis in 1974 – has been discussed *ad nauseam* for two years or more. Why should the banking system suddenly be regarded as subject to an increased threat when its troubles have been so widely predicted?

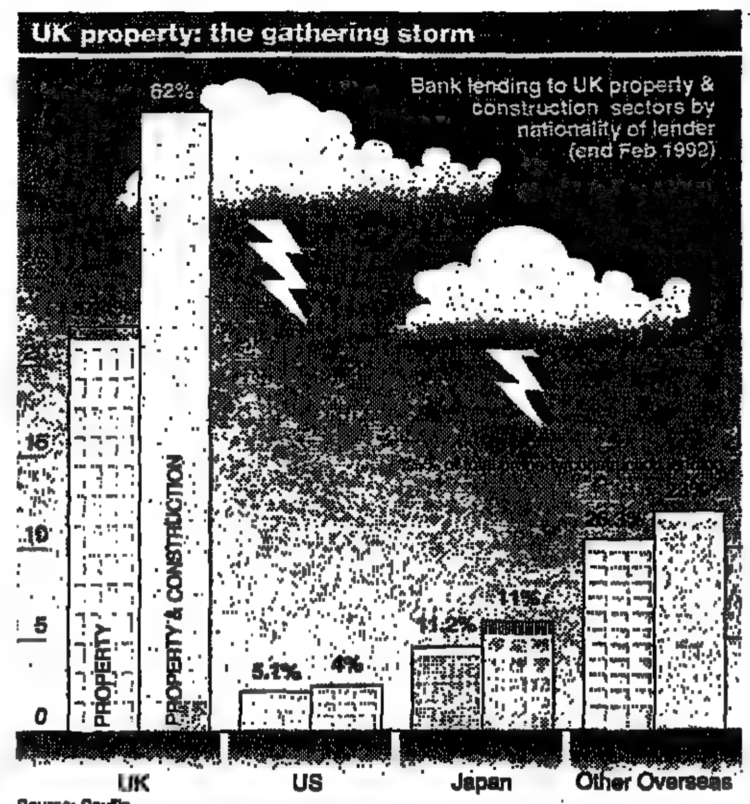
The answer is that some things have changed for the worse and not simply because the British clearing banks have yet to make substantial provisions against a new round of dud property loans. The banks are engaged in a debt work-out, similar to the one they conducted in the second half of the 1970s. Yet the economics of the work-out, in which property companies are nursed along under the best available management until the market turns up and property becomes saleable again at worthwhile prices, are very different this time round.

Barclays provides an interesting case study. At the end of 1991 it had property and construction loans of £5.5bn in Britain and more than £11bn worldwide, compared with capital of £9.1bn. That may be modest by the standards of Japanese city banks, many of which have property exposure equivalent to two times their capital. But by any other yardstick it looks high.

Sir John Quinton is nonetheless sanguine about his bank's ability to weather the property storm and argues that:

- at least 70 per cent of the bank's property loans are for completed, income-producing properties where the tenants have no problem in meeting debt service;
- all the bank's property loans were made at a discount to conservative valuations and many were made before the peak of the boom;
- a total of £40bn of bank debt is not large in relation to the property market's estimated overall value of around £180bn;
- the risk in the outstanding debt of the larger troubled property companies is widely spread around the whole international banking community, so the individual provisions and write-offs will be less than the size of the corporate collapses might seem to indicate; and
- when economic recovery resuscitates tenant demand, institutional and other investors will readily provide £10bn of equity to refinance one quarter of the debt overhang.

On that basis Barclays expects overall provisions not to exceed those in 1991 and possibly to emerge somewhat lower. And yet these seemingly reassuring points may not be quite as comforting as they appear at first sight.



Source: Savills

British clearing banks' UK property lending

£m	NatWest	Barclays	Midland	Lloyds
1986	997	1,197	632	unknown
1987	1,394	2,140	733	unknown
1988	1,931	3,195	1,301	unknown
1989	2,633	4,493	1,859	3,900
1990	2,813	5,265	1,880	4,300
1991	2,478	5,397	1,630	4,100
Compound growth	20%	35%	21%	

Source: IBCA

One fundamental difference between today's property collapse and the earlier one in the mid-1970s is the extent of the oversupply, not least in London offices. There is now 32.4m sq ft of empty office space in the capital, equivalent to 18 per cent of the total office stock, according to property advisers Debenham Tewson & Chinnocks. Investment Property Databank, a leading independent source of property market intelligence, estimates that central London office rents were plunging in the six months to March at an annualised rate of 32 per cent. Corporate landlords, including Britain's biggest, Land Securities, are increasingly finding that properties are let at rents that exceed today's increasingly depressed market values.

The outcome is a radical shift in the balance of power in favour of the tenant. Oversupply, according to Mr Norman Bowie, a doyen of the chartered surveying profession, means that tenants are seeking to use their new bargaining power to win greater flexibility in the terms of leases. The market answer to this demand, says Mr Bowie, is shorter leases or leases with break clauses.

In other words, the 25-year lease with upward only rent reviews – an inflationary ratchet if ever there was one – is no longer accepted without demur by tenants. So the lease structure that provided UK property with so much of its attraction as an institutional investment and a form of bank collateral is no longer uniform across the market.

The banks' interest cover is thus under threat. Property let at rents above the prevailing market rate may deliver a lower rental income as leases fall in. And the changing pattern of leases may ultimately make the banks' collateral a less attractive asset to the institutional investors which Barclays expects to help refinance the £40bn debt overhang. In the meantime anecdotal evidence from the chartered surveying fraternity suggests that the valuations on which the banks placed so much faith in the boom are proving to have been far less conservative than the banks thought.

Prospects on the revenue side of the work-out equation are thus becoming worse rather than better. And the problem is compounded by a fundamental change in the way the cost side now operates. Back in the mid-1970s, real rates of interest were negative at the most stressful point for property companies. Debt was eroding in real terms and inflation was providing some help for asset values.

This time real rates are positive and the debt burden is actually increasing. So heavily indebted property companies are caught in a double bind, with London office rents plunging in nominal terms and the debt servicing burden rolling up remorselessly in real terms. It becomes harder with time to close the shortfall of revenue against income, as compound interest applies its punitive *calculus* to the figures.

In the absence of a spectacular economic recovery to reactivate the property market, this means that things will probably get a great deal worse for the banks before they get better. The work-out will be a far more protracted affair than in the 1970s and the opportunity cost of putting more money into rescues will be higher. And there is still no sign that the insurance companies and pension funds will be ready to take the banks off the hook by rediscovering their appetite for commercial property.

While Scandinavian-style bank nationalisations are not in question, there must be some doubt about the ability of the banking system to finance recovery.

The problem is the huge degree of leverage in bank balance sheets. At Barclays, capital last year was equivalent to 8.7 per cent of risk-weighted assets, based on the guidelines of the Bank for International Settlements and the Bank of England. That 0.7 per cent surplus over the regulatory floor of 8 per cent is equivalent to £780m of retained profits.

Just to put that in context, Barclays' dividend last year was uncovered and retained profits were negative to the tune of £96m after making provisions against property and construction in the UK alone of £245m – this, before the latest rash of announcements about Olympia & York and the rest. Barclays also wrote off more than £300m against the value of its own properties to reserves. Looked at from another perspective, £780m is equivalent to less than 7 per cent of the value of the total property and construction loan book. This implies that the capital safety net contains remarkably little slack.

Such figures clearly raise questions about the ability of the banking system to finance an economic recovery, especially now that Japanese banks have been withdrawing from international markets. But provisions and write-offs are a notoriously impressionistic area of accounting; and the figures above assume that other things are equal, which may not be the case. With known losses in the rest of the corporate sector already substantially provided for and huge losses in overseas subsidiaries now running down, the underlying profitability of the clearing banks is potentially much healthier.

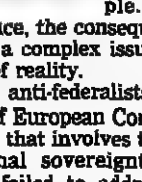
Yet their capital ratios remain vulnerable to unexpected shocks. And the process of recovery will be slower and more painful than any clearing banker would wish. The British clearers can count themselves luckier than the Japanese city banks in that they have not been hit by a collapsing stock market as well as a collapsing property market. But that does not mean that the latest bout of trouble in property should give the authorities no cause for concern.

Tomorrow: how doubtful property loans are causing strains in Japan's financial system.

PERSONAL VIEW

Stronger than nations

By Peter Sutherland



The anti-federalist case put by Mrs Margaret Thatcher, the former UK *prime minister*, and the Bruges Group has the merit of being simple. But in this instance, the consequence of simplifying a complex issue is the distortion of reality.

The anti-federalists oppose a system of European Community governance that involves the reduction of national sovereignty. What they have failed to address is the fact that the principle they seek to uphold has already been conceded by binding treaty.

EC membership entails the unambiguous rejection of unfettered national sovereignty and this was *absolutely clear at the date of accession* by the UK in 1973. The principle of the supremacy of Community law was established clearly in the 1960s, as was the doctrine of direct application which gives individuals the right to sue their government for breach of Community law. These developments form part of the foundations of a political structure to which the neologism "supranational" has been applied.

Whatever else may be argued, therefore, one may not suggest that the EC is an *intergovernmental* structure, nor that the road on which it now finds itself was unidentified from the earliest days. Indeed the Single European Act, endorsed by Mrs Thatcher, not merely expressed the will of all the member states "to transform relations as a whole among their states into a European union" but also significantly reduced traditional national sovereignty by introducing majority voting into areas previously requiring unanimity.

It is no longer a legitimate part of the debate, therefore, to develop a polemic on the basis of retaining total sovereignty. That debate is *one about rejecting membership.*

Those who oppose European integration accuse the Commission of "exploiting" the Single European Act. It is difficult to know what this can mean as the Commission may only propose legislation and not adopt it. If the principle of majority voting causes concern, let it be recalled that there was no mystery about the issue when it was decided; it was clearly recognised that the "1992 project" could not succeed if one member state could effectively block progress.

In other areas, too, the role of the Commission is vital to the creation of the internal market – an objective so strongly advocated by the *UK government. The reality is that* it would not be possible to envisage the market functioning without effective governance from Brussels.

If member states were permitted freely to grant subsidies to industry, this would inevitably distort competition. The fact that the Commission, under an authority vested in it by Article 92 of the Treaty of Rome, may prohibit such aids is a clear infringement of national sovereignty. But is it a power that the anti-federalists would now deny? Similarly, would they deny the power to propose regulations or directives creating competition in air transport or telecommunications?

It is unreasonable to argue against regulation from Brussels, particularly when the effect of the regulation is to dismantle protectionism. Like it or not the essential logic of the EC is based upon a supranational vocation.

On the political level it is argued by some that the new circumstances of Europe demand a loosening of the ties that bind the continent together. They see enlargement, perhaps, as a way of making *the Community unworkable* as it currently operates. It would be ironic if the European Free Trade Association countries now so anxious to join a Community with supranational powers were to be the unwitting cause of its disintegration into a loose intergovernmental body such as that which they had left.

That, however, seems to be the aim of some in the UK and elsewhere. These critics point to the break-up of alleged federal structures in central and eastern Europe as evidence of the failure of federalism, while ignoring the fact that these failed entities were undemocratic fusions. On the other hand *the concept of European union* is crucially dependent on democratic sanction. Successive polls of public opinion testify to the broad measure of support throughout the Community.

It was extreme nationalism and the experience of the Second World War that provided the stimulus for European integration and the creation of a supranational state. Today we are challenged again by nationalism. A reversion to the traditional nation state is not the way to contest this challenge.

The fact that western Europe has enjoyed peace since 1945 while other areas have been traumatised by war is not unrelated to the new way in which we govern our affairs. To return to the earlier world of co-operation between sovereign states rather than integration would be to risk reliving the worst moments of our turbulent history.

The author is chairman of Allied Irish Banks and former EC competition commissioner.

ECONOMIC VIEWPOINT

An old alternative to conviction politics

By Samuel Brittan

Do you believe in coming as close to equality in property and income as we can? Or do you prefer an enterprise society, or a nation of inheritors?

Do you think that inflation is caused by too much money chasing too few goods? Or by struggles between groups for incompatible shares of the national product?

Should punishment fit the crime or the criminal?

This is a random assortment of disputed questions. What they have in common is that they have been argued by men and women of goodwill for decades – sometimes for centuries – and we are no nearer a consensus.

One prominent politician on the Conservative side, when faced with Big Questions, is inclined to ask whether he *has* to decide or at least decide now. I do know a book which attempts to provide such agnostics with a good conscience; and I have been waiting to review it for well over 20 years. It was jointly written by an American professor of politics, Charles Lindblom, and a philosopher, David Braybrooke. It is called A Strategy of Decision, and was first published in 1963. My own version is dated 1969. I have often thought about it in the intervening years, but am only now beginning to make up my mind about it.

The authors believe that the method of evaluation which is directly or indirectly taught to undergraduates or even business leaders on courses is misconceived. They call the orthodox approach "synoptic" or "rational-deductive". It involves people setting out their ideals, equipping themselves with a set of cause-and-effect relations, and then examining the facts to decide.

You do not have to believe in equality to want to help those people living in cardboard boxes

Its defect, they believe, is that people will not merely disagree on values. They often do not know what their values are until a specific problem arises. People who can agree on inequity in a tax system – eg the poll tax – will not necessarily agree what equity is.

The authors' preferred alternative is known as – wait for it – "disjointed incrementalism". This may explain why their ideas are not on the lips of US presidential candidates. They admit that the English "piecemeal social engineering" is a close approximation.

What they mean is that instead of choosing between great principles, policymakers should go straight to specific decisions. Not, for instance: is there a right to freedom of information? But will the disclosure of membership of cabinet committees do more for free inquiry than harm to efficient government?

The authors' essential point is that people who disagree on fundamentals can still agree on specific steps. You do not have to agree on equality or inequality to want to help those living in cardboard boxes.

I remember consciously thinking about Braybrooke and Lindblom during the disputes between Margaret Thatcher and Nigel Lawson on exchange rate policy. It often occurred to me – indeed I wrote – that it ought to be possible to agree on whether to raise or lower interest rates, without agreeing on whether a specific move was made to protect sterling or in reaction to some measure of the domestic money supply – even, dare one say, agreeing to disagree on the reasons. Such piecemeal accommodations are not facilitated, however, by big, bold, but essentially vacuous statements such as: "You cannot buck the market."

There is one thought which encapsulates the American authors' critique. It is: do not insist on fundamental justification. You might agree with raising interest rates in a boom or reducing them in a slump without deciding if you are a monetarist or a Keynesian, let alone an exchange rate monetarist or a parochial one.

Most political practitioners or committee chairman types would probably regard A Strategy of Decision as a pretentious academic description of a strategy they had been practising all their professional lives. Yet it is a little more than this. What the US academics were saying is: "Rest easy with what you are doing. You are not cutting corners or sacrificing principles. This is the only way even political theorists think you can decide."

The book betrays its age, however, in its tacit assumption that the disputes are mostly about values and that "social scientists" have a good deal of knowledge about how the world works. In recent years the disputes have been about both, or about ideologies in which the two have been inextricably mixed together.

The main objection to the "strategy" is that it discourages more profound reflection. The authors make much of the need to decide *how much* inflation it is worth incurring to alleviate unemployment by *so much* here and now. Later evidence and analysis suggested that there was no long-run trade-off between the two. Anyone who had taken the "strategy of decision" too much to heart would have found himself (as governments did) with accelerating inflation and no lasting improvement in jobs.

Indeed, "disjointed incrementalism" actually tells practitioners to cut off the chain of consequences at an early stage. The authors' buzzwords are "limited", "incremental", "remedial" and "successive approximation". They thus encourage unreflective interventionism and disjointed lists of points characteristic of political manifesto writers.

It is therefore open to the charge of short-termism by disciples of Hayek, who warned about the adverse long-run effect of a host of specific interventions. But it is also vulnerable to social critics who worry about the spillover effects of a market system, on our culture and on the ecological balance, and who consider piecemeal corrections inadequate.

What should one conclude? During periods of "conviction politics", one is conscious of the fallibility of those exercising the convictions. During a period of piecemeal social engineering, one begins to long for the "vision thing".

The nearest I can come to a resolution is that policymakers should practise disjointed incrementalism – as most of them are in any case inclined to do, like Molière's *bourgeois gentilhomme* who had been unwittingly talking prose all his life – while there should be a vigorous debate among the clerisy on fundamentals.

The distinctions need not be rigid. A former prime minister, Arthur Balfour, had views on the Nature of Reality – which hardly committed the cabinet – and chancellors (and even presidents) have had views on How the World Economy Works. My suggestion is that

You might agree to raise interest rates in a boom or reduce them in a slump, whatever you are

they should erect Chinese walls between their various activities.

Let Michael Heseltine give lectures on why manufacturing matters, and let Peter Lilley explain why all goods and services have equal importance at the margin in a competitive market. But when it comes to policy, both should go as far as they can without having to decide on fundamentals. That way both theorists and policymakers can feel a little easier; and one person in his time can play several parts.

OBSERVER

Breaking the bank

■ As Edinburgh muscles into the contest to house the European central bank, the city is at least showing a touch of realism.

Unlike Luxembourg – which has dug up an arcane EC law dating from the mid-1960s to support its case for accommodating the new Euro-bankers lock, stock and barrel – the Scots are advocating the break-up of the institution even before it exists. The idea is that if bits of it were scattered around the community, Edinburgh would merit a share.

Although the tactic has style, it is alas no satisfactory answer to the Germans – rooting noisily for Frankfurt - who argue that Britain's wishy-washy commitment to full monetary union puts the *entire* country in a poor position to claim the prize.

But the real problem, closer to home, seems to be Ian Lang, the Scottish secretary. Far from fighting Edinburgh's corner in cabinet, all he has apparently produced so far is a feeble bureaucratic-sounding letter to the campaigners last month vouchsafing that the government would give Edinburgh's case "the most careful consideration" – but only if it was decided to go outside London at all.

Indeed the Conservative party as a whole is hardly leading from the front on the issue. Labour's shadow Scottish secretary Donald Dewar turned out to be the only politician to speak at yesterday's launch of Edinburgh's campaign. Not a single Tory minister, MP or as much as a councillor was in evidence.

Meanwhile, the cooler heads in Scotland hope the campaigning may at least give their capital a leg-up in obtaining some other (unspecified) EC institution as a consolation prize. In the meantime, there is no harm in giving the city's claim to be Britain's second financial centre a further thorough airing.

Plane words

■ The power of the press. Observer reported yesterday that John Major was travelling around central Europe in an ancient chartered plane. Within hours his aides were promising things would be different in future.

They revealed that Downing Street is negotiating with the RAF to provide a permanent customised jet to fly Major and his entourage around the world - Britain's equivalent of Air Force One.

There is only one snag. The Treasury has yet to approve the several million pounds necessary to provide the prime minister with an aircraft befitting an international statesman.

Hot seat

■ Ian Irvine, deputy chief executive of Reed International, is the latest senior businessman to be sounded out for the top job in ITV – chief executive of the commissioning system for the new centralised network to be introduced next year.

Irvine is an inspired choice. He is a serious businessman who would be able to handle the £500m or so a year programme budget. On top of that, as a former chairman of TV-am, he has at least a passing acquaintance with the colourful ways of Britain's commercial television.

Pay is not a problem. For the right chief executive, up

"There's football on Sky and pro-celebrity sword-swallowing on ITV"

to £300,000 a year could be on the table.

The only problem is that Ian Irvine is the latest in a long and distinguished line to say no. Some TV executives have been heard to ask plaintively how they can get their names taken *off* the list.

Those considered capable of doing the job think it would be like sitting on the original bed of nails at the centre of 15 companies notorious for their inability to agree on anything. And those who actually want the job are by definition deemed irredeemably unsuitable.

But there's plenty of time yet. ITV does not expect to have to take a decision before the end of May.

Rough ride

■ It is somewhat ironic that on the very day the Cadbury report on corporate governance was published, Rolls-Royce should have been given a rough ride from shareholders.

Instead of getting a warm send-off for piloting the company during the last seven years through privatisation, doubling its sales and orders and expanding its market share, Lord Tombs faced stiff questioning at the yesterday's annual meeting from shareholders and former employees on the company's handling of its voluntary redundancy scheme.

Like its US aero-engine competitors, Rolls-Royce has been forced to make extensive job cuts. But this has clearly left a bitter feeling among many employees and small shareholders who voted against a resolution to amend the directors' executive share option scheme.

Not that Rolls-Royce directors earn extravagant salaries. Tombs's own pay was reduced last year, and the outgoing chairman pointed out that Rolls-Royce was in the bottom 10 per cent of the UK directors salary league.

Myth and kin

■ Ambitious Japanese haven't time for the little things in life, such as visiting mum and dad. A man's got to work, after all.

Hence a long waiting list for the rent-a-family service marketed by a Tokyo consultancy called Japan Efficiency Headquarters. Just call it up and, for a mere £635.59, it will send round substitute sons, daughters and an optional baby grandchild to visit the parents for three precious hours.

How does the older generation react? Often joyfully, claims the consultancy's president, greeting the professional actors playing the roles like the long-lost real thing. Some neglected parents even summon up the surrogates at their own expense.

Moreover, there's also a growing market for the service the other way round, with isolated offspring hiring visits by stand-in dads and mums.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Nato must not start to move goal posts

From Mr Paul Richards.

Sir, The news that Mr Manfred Worner, the Nato secretary-general, has advocated an out-of-area role for Nato ("Nato ready to step outside its borders", May 22) must be met with some degree of alarm.

Having just returned from a visit to both Nato and Shape in Brussels, my impression is that Nato has lost an enemy and has yet to find a role. Off-the-record briefings from senior military personnel displayed internal disagreements over whether Nato becoming a global policeman would require a total renegotiation of the treaty itself or not.

My view is that the 1949 treaty enshrined the principle of an attack on one is an attack on all, at a specific time with a specific enemy in mind. Now that the enemy is no more, it is simply not good enough for Nato to start changing the goal posts. If Nato member states want to engage in peacekeeping exercises beyond their collective border, then our elected representatives should renegotiate the treaty.

Paul Richards,
*5a Kinnoul Road,
Barons Court,
London W6 8NG*

German solution to lack of UK apprenticeship opportunities

From Mr Richard S C Jarrett.

Sir, Mr Richard Trim (Letters, May 26) is correct to express concern over the lack of graduate apprenticeship opportunities in British industry.

Before I graduated two years ago, I, like many other students, spent a considerable amount of time trying to find a satisfactory apprenticeship (management trainee) programme within the British manufacturing industry – unfortunately without success. I had studied business and wanted to move into the manufacturing sector, but due to such a marked lack of interest in business students, I eventually decided to move outside of the UK. My endeavours led me to Germany, where I am now in the process of finishing my apprenticeship with a well-known Bavarian automobile manufacturer.

My trainee programme has been very carefully planned, I have enjoyed many opportunities, and have learnt a great deal. When I consider the lack of response and enthusiasm shown by the manufacturing sector at "career days" and through our "careers advisory service" at university, I realise that I had no other choice but to leave the UK in order to receive a proper training, and I am not atypical.

This is a shame, and perhaps should be a cause for concern in the British manufacturing industry.

Richard Jarrett,
*(Nachwuchs-Trainee, Audi AG),
Oberer Graben 14,
Ingolstadt,
8070 Germany*

Monetary union

From D P Jeffcock.

Sir, Lord Cobbold's idea of a merger between the pound and the franc, referred to by Anthony Harris ("When gentlemen prefer bonds", March 26), has financial precedents as well as being a contemporary manifestation of Sully's Grand Design.

Previous attempts at monetary union lacked a political base. Three were tried in the last century: between Austria and Germany from 1857 to 1866; the Latin union of the 1860s and 1870s when French coins circulated freely in Belgium, Switzerland, and Italy; and in Scandinavia from 1875 into this century.

However the "political improvement" which John Stuart Mill believed would encourage a world currency was too fragile.

D P Jeffcock,
*Wellington House,
Captains Row,
Lymington,
Hampshire SO41 9RR*

Telephone numbers

From Mr Richard D G Cox.

Sir, In quoting from my recent analysis of the distribution of telephone numbers in the UK Hugo Dixon (Technology, May 22) omits to mention that the figures are simply computer projections. Nevertheless I have good reason to believe that both the projected figures, and the unmistakeable trend they display, are sufficiently close to the true situation for them to be valid for the purpose of analysis.

Should BT consider that any of those projected figures are in any way misleading, it is always open to it to produce the true figures in support of its case.

Richard D G Cox,
*principal,
Mandarin Technology,
Cardiff Business Park,
Llanishen, Cardiff CF4 5WF*

CAP reform not good news for EC rural development

From Mr John Bryden.

Sir, Our research in 20 study areas in EC member states, supported by the EC and the Economic and Social Research Council's joint agriculture and environment programme, sheds light on the likely impact of CAP reform on rural development in the EC.

First, we have found that the CAP has had little impact on providing farmers or their families with incomes comparable to those elsewhere in the economy. We estimate that half of all those farm family members and hired workers involved in working their farms earn less than 41 per cent of their national comparable incomes.

The poorest farm families in Europe are, paradoxically, less dependent on agricultural income than on social security and income from working outside the farm.

It was the larger cereal farmers, mainly in northern Europe, who would have suffered most from the proposed reforms under MacSharry 1, just as they had benefited disproportionately under the previous arrangements. However, political expediency has ensured that a good proportion of the agricultural budget will be devoted to compensating these farmers for the price reductions. Neither the new arrangements nor the compensation will improve the situation for the many small and medium sized farms which are well below comparable incomes already.

These farms are already partly dependent on outside earnings and social security payments. Whether they remain in rural areas will depend less on agriculture, and more on the development of rural labour markets which, in turn, depends on rural development policy and the development of rural businesses.

The Maastricht Treaty (Article 130a) introduces the development of rural areas as a key issue for cohesion in the Community, as indeed it is. Yet, as long as agricultural policy absorbs such a high proportion of the Community budget, the development of new policies in this sphere will remain limited. While there are many reasons to welcome the reform, it is not yet good news for rural development. For the time being the massive inequities which the CAP involves will remain and will act against the Community's efforts at greater cohesion. This is not, by any stretch of the imagination, a "level playing field".

John Bryden,
*The Arkleton Trust (Research),
Nethy Bridge,
Inverness-shire PH25 3EA*

FINANCIAL TIMES
Thursday May 28 1992

Concern as Russian reforms slow

Leyla Boulton and John Lloyd on western fears that economic targets will be missed

WESTERN countries and financial institutions are concerned that reform in Russia is slowing, and that the reformist Russian cabinet is being ground down by the size of its task.

Foreign experts point to the slipping of targets for cutting the budget deficit and inflation, for liberating energy prices and for beginning a full-scale privatisation programme as evidence of the barriers to change facing the government of President Boris Yeltsin.

A team of senior Russian officials is drafting a plan, aimed to be completed by the middle of June, for deeper economic reform. It will be presented to the International Monetary Fund and to the governments of the Group of Seven industrial countries. Acceptance of the plan will determine the release of tranches of the $24bn aid pledged by the G7 and the IMF to Russia last month.

The G7 governments will meet Mr Yeltsin after their summit meeting in Munich on July 7 and 8. They are looking for evidence of progress on economic change for a continuance of their aid. All governments wish the message from Munich to be positive, but concern is building that it will also have to be hedged with warnings.

A veiled warning of the dangers of letting targets slip came yesterday from Mr Jean Foglizzo, head of the IMF delegation in Moscow. He told a business conference that if authorities succumbed to the temptation of "planning for mediocrity", they would unleash "a spiral of bad news".

"You will have an explosion either in the form of a deterioration of the balance of payments, or hyperinflation, or a budget deficit running amok," he said. While careful to praise the present government's commitment to reform, he reminded the audience that western aid "comes from (foreign) taxpayers", and therefore could not be committed until it was certain it would be properly used.

His remarks were supported by western government officials, who said that Russia and the other former Soviet republics now clamouring for aid must realise that it was dependent on their own behaviour – both in internal reforms and in relations between themselves.

One senior western official, who would not be named, said that "they must know that we cannot assist if they do not reform, or if they erect barriers to trade between themselves, or if they indulge in outright hostilities. In these cases the money will be wasted".

Recent changes in the Russian cabinet in response to complaints from the Congress of Peoples' Deputies meeting last month show a tendency to bloat the government machine by creating ill-defined overlord posts.

Mr Georgy Khizha, formerly head of a large defence enterprise in St Petersburg, was last week made deputy prime minister in care of industry; Mr Vladimir Shumeiko, formerly deputy chairman of the Russian parliament, is to become deputy prime minister in charge of infrastructure, covering such areas as transport and communications, each already with their own minister.

The western official said there was a growing realisation in western governments that the reform process would be long and hard – and that attempts to drive through a "shock therapy" ran the risk of creating wide social disturbance. However, he said that Russia could not be treated as a "special case" and given looser rules, since the G7 governments and the financial institutions were all responsible to electorates or boards for their spending.

Mr Yeltsin, in an interview with the daily Komsomolskaya Pravda published yesterday, said prices had gone up by 13.6 times from March 1991 to March this year – while wages had risen by 8.2 times. However, he said that in March 1992, wage rises had begun to edge ahead of prices.

The lag of wages behind prices has been one reason why inflation has been kept in relative check. If the trend shown by the March figures continues, this constraint will disappear.

THE LEX COLUMN

Cadbury's soft centre

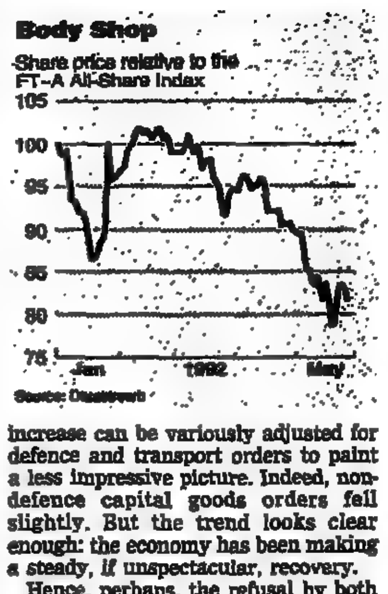
FT-SE Index: 2698.6 (-6.0)

There is something touchingly naive in the Cadbury Committee's faith in a self-regulatory system of corporate governance. According to Sir Ron Dearing, former chairman of the Post Office, it is preferable to legislation which is obeyed to the letter but not in spirit. The Cadbury report is full of spirit, but the letter of its proposed code is frequently blurred, partly, one suspects, because the great and the good who compiled it do not wish to be inconvenienced by too much change.

Little fear must attach to the implicit threat of stock exchange delisting for companies which fail to disclose their level of compliance. Hardly ever has the exchange had recourse to such a sanction, which would, incidentally, make it harder for investors to sell their holdings.

Nor are the proposed rules always as hard and fast as they look. The committee is reluctant to insist on separation of the chairman and chief executive roles, presumably because a unified post has worked well at companies like Grand Metropolitan. Directors have only to state that they have a "reasonable expectation" that their company will continue in operation. The issue of rotation of auditors is ducked. There is no guarantee of legislation to protect auditors who report suspicion of fraud to the authorities. In any case that is not such a dramatic proposal: the authorities were slow to latch on to the BCCI scandal despite the existence of such protection for auditors of banks.

Doubtless a latter-day Robert Maxwell would make mincemeat of the committee's efforts to strengthen the role of non-executive directors. Admittedly, the code does give shareholders more ammunition to insist on their rights as owners. That they are currently in a mood to do so was evidenced by yesterday's acrimonious exchanges over executive share options at the Rolls-Royce annual meeting. Whether they would be similarly militant in a boom is another matter.



US economy

Judging by yesterday's improved durable goods orders for April, the US economy could yet ride to the rescue of Mr George Bush's hopes for re-election. The figures add to the broadening range of evidence that the US recession ended shortly after Christmas. Granted, the series is volatile, and the headline 1.4 per cent monthly increase can be variously adjusted for defence and transport orders to paint a less impressive picture. Indeed, non-defence capital goods orders fell slightly. But the trend looks clear enough: the economy has been making a steady, if unspectacular, recovery.

Hence, perhaps, the refusal by both bond and equity markets to react decisively. The fundamentals apparently preclude a re-run of last year's abortive recovery, not least because interest rates are so much lower, but no-one is expecting the economy to forge ahead. There will have to be something unexpected among next week's rush of data if Wall Street is to be jolted from its present mood of restrained optimism. As for the bond market, it may have brushed off yesterday's figures, but it had already fallen on Tuesday's confidence indicator and is unwilling to break out of its present trading range.

In marking the dollar up yesterday, the foreign exchange market was probably right to think that the Federal Reserve will find it difficult to cut interest rates further, especially as the rising oil price implies new inflationary pressure. Equally, the Fed is unlikely to risk strangling recovery by raising rates in advance of the election. Interest rate differentials with Germany are unlikely to be very different a few months from now.

Hong Kong

At almost 6100 the Hang Seng Index is already beyond earlier expectations for the year end, which ought to be reassuring for the bears. The problem is a surfeit of good news, not least confirmation yesterday that a group of Chinese investors is paying HK$3.5bn for a slice of central Hong Kong real estate. This is a hefty price, valuing each square foot of office space at a 50 per cent premium to what was previously thought achieveable, and implying a HK Land net asset value of HK$20 per share.

More to the point, if friends of the colony's future governing power are prepared to pay top prices at this stage, is it not fair to assume that the People's Republic will hardly seek to damage the investment come 1997? It is that very perception, of course, which has encouraged a huge flow of international money into Hong Kong this year. Any narrowing of the China discount, however, obviously leaves the market vulnerable to shock.

On a different scale, yesterday's move by Mr Li Ka-Shing's Hutchison Whampoa to buy out the Cavendish minority should also be positive. The HK$5.50 per share offer is not exactly a knock-out blow, but the hope is that the transaction presages an overdue streamlining of some of Mr Li's operations. Both Hutchison and Mr Li's top company Cheung Kong have substantially underperformed the market over the last 12 months. The latter's rating has suffered from a series of diversifications away from property. By taking Cavendish private Hutchison is in a better position to dispose of its ill-fated investment in Husky Oil, though a more urgent priority might be to reduce gearing by selling the 34 per cent stake in Hong Kong Electric.

Body Shop

It might seem churlish, but the obvious conclusion from Body Shop's annual results is that the group is no longer growing fast enough to justify the aggressive rating of its shares. Pretax profits rose by more than a quarter, but the admission that the UK market is three or four years away from saturation was a timely reminder that mere size can be a hindrance to spectacular performance.

Granted, there remains huge scope in the US, where the group's retailing formula seems to work. But development there will take years, and plenty can go wrong along the way. Even after their 16 per cent underperformance of the market this year, the shares look ambitiously priced on a current year multiple of 29. It will doubtless take more than ventures into wind farms and corporate videos to stop the multiple gradually drifting back to more realistic levels.

Ripa di Meana refuses to attend Earth Summit

By David Buchan in Brussels and David Lascelles in London

THE European Commission is refusing to send its environment commissioner to the Earth Summit in Brazil next week because of the failure of world leaders to agree to binding commitments to reduce global pollution.

Mr Carlo Ripa di Meana, Brussels' environment commissioner, said yesterday he would not go to a meeting "where everything has been fixed in advance" and which would just produce "words, rather than binding obligations and precise understandings" on how to cut carbon emissions.

The Commission executive, which yesterday finalised its proposal for an EC-wide tax on carbon fuels, will send to Rio the director-general of its environment service, instead of Mr di Meana or any of the other 16 Commissioners who form its political governing board.

Mr di Meana's absence from the Rio summit is a further sign of the disarray that has marred the industrial countries' attempted unity for the event, and it will reduce still further popular expectations about the outcome. However, Mr di Meana's views appear not to be widely shared among EC governments, whose top representatives will attend the summit.

It was the prospect of non-binding treaties emerging from the summit that eventually persuaded President George Bush to attend. Mr Bush had made clear he was unwilling to commit the US to specific targets.

In the same way as the US president, Mr di Meana had tried to use doubts over his presence in Rio as leverage. Greenpeace, the environmental lobby, yesterday welcomed Mr di Meana's boycott for showing up the "hypocrisy of Mr Bush and others who are going along to the meeting pretending everything is fine".

Mr di Meana's protest action was largely directed at EC environment ministers, who failed in Brussels on Tuesday to do more than "note" the Commission's plans for a carbon tax and specific energy-saving measures.

The EC environment commissioner was particularly irritated at being criticised by northern "green" countries such as Germany, the Netherlands and Denmark for making the EC carbon tax plan conditional on similar US and Japanese action.

Carlo Ripa di Meana: protest aimed at environment ministers

Mr di Meana's move came as a UN panel of scientific experts reaffirmed earlier warnings about the dangers of global warming ahead of the gathering in Rio. The Intergovernmental Panel on Climate Change predicted that emissions of greenhouse gases could push up the world temperature between 1.5 and 3.5 degrees over the next 100 years, raising sea levels by at least 50cm.

Global heating, Page 7
Editorial Comment, Page 14

Brussels says EC economic growth is slower than forecast

By David Buchan in Brussels

THE European Commission yesterday warned that the Community's economy was growing more slowly than it had predicted just six months ago. It revised its estimate of this year's real growth downwards to 1.75 per cent from 2.3 per cent.

At the same time, it forecast a further rise in the EC's unemployment rate from 9.5 per cent this year to 9.75 per cent in 1993.

The Commission said the slower-than-expected recovery – already reflected in similar forecasts by other international organisations – would affect EC states' efforts to meet the "convergence" criteria, set in the Maastricht treaty, for eventual monetary union.

The Commission believes average EC inflation will come down from 5.2 per cent in 1991 to 4.5 per cent this year, but adds that "greater progress might reasonably have been expected given the tight stance of monetary policy and depressed economic activity". By 1993 the average should fall to 4 per cent, it says.

This will put the UK, and the seven countries which have kept their currencies within the exchange rate mechanism's narrow band, within 1.5 percentage points of the three least inflationary economies – which was one of the Maastricht convergence tests.

But slack growth will also push up net government borrowing from 4.3 per cent of Community gross domestic product to an average of 4.75 per cent this year, where it will stay in 1993.

Maastricht set as a goal – though not an absolute requirement – for monetary union that countries keep their borrowing to within 3 per cent of GDP.

Only Denmark, France, Ireland and Luxembourg will pass this test in 1993, though the first stab at monetary union is not due until the end of 1996.

The sharpest deterioration is expected in the UK, whose public deficit is expected to rise by more than three percentage points over 1991 to 1993 to 5.25 per cent.

Germany's budget deficit, which is causing its partners concern because of its knock-on effect on their interest rates, is forecast to rise half a point to 3.25 per cent this year, with a slight fall expected next year.

Growth will stay weak, Page 8

Arms trade

Continued from Page 1

assistance needed for the establishment of comparable export control regimes in the former Communist countries and to provide a forum for Cocom "to address new strategic threats in co-operation with central and eastern Europe and the new independent states".

The co-operation council would also ease access to currently controlled western technologies to the former Soviet bloc countries.

This proposal should be applauded in Europe, where the US is seen as slow on control liberalisation, particularly for fibre optics.

A US government official yesterday said fiber optics was an "issue" which would be discussed next week.

"The co-operation council will provide an effective forum for consultation, collaboration and reform," Mr Baker said.

O&Y's Canary Wharf in administration in London

Continued from Page 1

Wharf may yet re-emerge as a going concern. They view the administration process as providing an extended period of several months for negotiations with the government.

Under administration, a reconstruction plan could be formulated in the coming few months. Such a plan could still involve the banks providing funds for the Jubilee Line extension.

Before it ran into financial difficulties, Olympia & York had promised to contribute £400m to the costs of extending the Jubilee Line. The government has made it clear that without the £400m private sector contribution, the extension will not be built.

The government's detailed analysis of the costs and benefits of various London transport projects show that the Jubilee Line extension is only the best use of public money if there is a contribution from the private sector.

The administration order in the UK will bring Canary Wharf into line with many of O&Y's other subsidiaries, which filed for protection from creditors in Canada and the US less than a fortnight ago.

To date, banks have provided a core loan of £566m to Canary Wharf and a finance lease of £58m. There is also a separate £450m loan from four Canadian banks and £100m from the European Investment Bank. Bankers said last night that they would have to make provisions against possible losses of about 50 per cent on their Canary Wharf loans.

World Weather

		°C	°F
Ajaccio	S	22	72
Algiers	S	27	81
Amsterdam	F	20	68
Athens	C	18	64
Bahrain	S	34	93
Bangkok	C	36	97
Barcelona	S	22	72
Beijing	S	33	91
Beirut	S	27	81
Belfast	S	19	66
Belgrade	F	22	72
Berlin	F	22	72
Biarritz	S	27	81
Bombay	F	32	90
Bordeaux	C	28	82
Boulogne	S	23	73
Brussels	S	21	70
Budapest	F	18	64
Buenos Aires	C	18	64
Cairo	S	39	102
Cape Town	S	15	59
Caracas	C	30	86
Casablanca †	F	22	72
Chicago †	S	4	39
Cologne	S	23	73
Copenhagen	S	22	72
Corfu	F	23	73
Dallas †	S	17	63
Dublin	S	17	63
Dubrovnik		–	–
Edinburgh	S	14	57
Faro	F	21	70
Florence	S	26	79
Frankfurt	S	22	72
Geneva	F	21	70
Gibraltar	F	24	75
Glasgow	S	19	66
Helsinki	S	24	75
Hong Kong	C	25	77
Innsbruck	S	18	64
Inverness	S	20	68
Islamabad	C	22	72
Istanbul	F	17	63
Jakarta	R	33	91
Johannesburg	S	15	59
Lisbon	C	20	68
London	S	19	66
Los Angeles †	C	18	64
Luxembourg	F	21	70
Madeira	F	21	70
Madrid	F	22	72
Majorca	S	25	77
Malaga	S	25	77
Malta	S	23	73
Manila	C	36	97
Melbourne		–	–
Mexico City	C	24	75
Miami †	S	23	73
Milan	S	24	75
Montreal †	F	10	50
Moscow	S	23	73
Munich	S	20	68
Nairobi	F	25	77
Naples	S	25	77
Nassau	F	30	86
New Delhi	S	33	91
New York †	F	12	54
Nice	S	21	70
Nicosia	S	31	88
Oporto	R	13	55
Oslo	S	24	75
Paris	F	24	75
Prague	S	18	64
Reykjavik	C	11	52
Rhodes	S	22	72
Rio d'Janeiro	F	30	86
Rome	S	23	73
Salzburg	S	22	72
S'Francisco †	S	13	55
Seoul	F	30	86
Singapore	F	31	88
Stockholm	S	24	75
Strasbourg	F	24	75
Sydney		–	–
Taipei	C	27	81
Tangier	F	21	70
Tel Aviv	S	35	95
Tenerife	C	22	72
Tokyo	F	21	70
Toronto †	F	9	48
Tunis	S	26	79
Valencia	S	26	79
Venice	F	22	72
Vienna	F	20	68
Warsaw	R	13	55
Washington †	C	11	52
Zurich	F	20	68

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday May 28 1992

INSIDE

Guinness negotiates pension for ex-chief

Mr Anthony Tennant (left), outgoing chairman of Guinness, the international drinks group, yesterday confirmed at the company's general meeting that it is negotiating a pension for Mr Ernest Saunders, its former chairman and chief executive who was jailed for theft and false accounting. The pension is understood to be between between £70,000 ($126,000) and £80,000 a year. Mr Tennant, who is to retire at the end of this year, will be replaced by Mr Tony Greener (above right). Page 28

Forex rival for Reuters

Ten leading banks in the foreign exchange markets have agreed to put up $45m to build a new electronic trading system to rival Reuters, the UK information group which dominates foreign exchange trading. Page 18

Third World concerns on growth

Angola, which managed to keep producing oil during 16 years of civil war, is a good example of a 'rich' developing country. Yet, in spite of its growing oil wealth, Angola is one of many Third World countries concerned that a lack of training, a dearth of international investment capital, and global environmental pressures may hamper its economic development. Page 32

Drinking less but better

The adage that people are drinking less, but drinking better, appears firmly established. Leading multinational drinks companies are controlling a larger share of a declining market as heavily-marketed international brands grow at the expense of local products at the rate of 2 per cent to 3 per cent a year. The process is visible in health-conscious western markets and particularly evident in many less developed countries where personal affluence is increasing and trade barriers are being eroded. Back Page

Worries over Westpac

The Australian bank reporting season has produced a diversity of results. But the stock market did not begin to suspect until a few months ago that one bank out of the big four had performed much worse than its rivals. Its fears were confirmed last week when Westpac reported a A$2.65bn ($2bn) bad debt write-off, pushing the bank into its first loss in its 175-year history. Page 23

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFr)		
Rises			Rises		
Aachen Mch Rg	985	+ 25	Accor Entrepr	655	+ 24
Falls			Gal Lafayette	2040	+ 98
Aska Prf	675	- 18	Geophysique	682	+ 17
Beiersdorf	835	- 20	Falls		
Hoesch	274	- 9	Imm de France	851	- 28
Karstadt	626	- 12	Soc Gen de Fr	519	- 14
Linde	895	- 136	UAP	321	- 9

NEW YORK ($)			TOKYO (Yen)		
Rises			Rises		
Control Data	12 3/8	+ 1 3/8	Crown	307	+ 44
Ford Motors	44 1/8	+ 1	Falls		
Gen Motors	39	+ 1	Chugaikokoyo	498	- 82
Falls			Dai Nippon Con	1140	- 110
Corrections Cp	5 3/8	- 1 1/4	Iino Steamship	371	- 29
50-Off Stores	14 1/2	- 1 1/4	Tokico	383	- 32
Syntex	37 3/8	- 3 3/8	Yamaha-Hwell	1120	- 100

LONDON (Pence)					
Rises			Cattyrns	396	- 9
BritishGas	264	+ 7	Countryside Pr	118	- 5
Carlton Comms	667	+ 19	Dalgety	418	- 12
Ebam	243	+ 7	Eurotunnel	360	- 10
Feedback	53	+ 7	Fairline Boats	325	- 103
MTL Instrmnts	345	+ 17	Haden MacL'an	100	- 9
Mid&Scot Res	20	+ 3	Hillsdown	174	- 5
Photo-Me Intl	349	+ 11	P & O Defd	529	- 13
Ranger Oil	418	+ 15	Proudfoot (A)	319	- 33
Tie Rack	45½	+ 2½	Taylor Woodrow	126	- 5
Utd Friendly B	372	+ 12	Walker Staff	140	- 13
Falls			Wyevale	193	- 7
Barclays	374	- 8			
BA Airways	300	- 7			

Italians hope US tinned food group will help create worldwide operation

Cragnotti seeks to buy Del Monte Foods

By Haig Simonian in Milan and Nikki Tait in New York

NEGOTIATIONS are under way for the sale of Del Monte Foods, the US tinned foods group formerly part of RJR Nabisco, to Cragnotti & Partners Capital Investment (C&P), the Italian financial concern trying to create an international foods operation.

Some industry sources said a preliminary agreement could be ready for signing next month but others suggested that the deal was not so advanced. C&P has been negotiating with Del Monte for some months, and is now thought to be the only company in the running to buy the group, which is owned by a consortium including management and Merrill Lynch, the US investment bank.

A $300m price was put on Del Monte in an Italian newspaper report yesterday but the full price, including assumption of debt, seems likely to be significantly higher.

Under the broad outlines of the deal, confirmed by C&P yesterday, the Italian company would take control of Del Monte by handing over its recently-acquired Cica tinned foods subsidiary in Brazil, as well as by purchasing a direct stake. Part of the enlarged Del Monte group would then be floated in the US.

C&P have denied that a planned L250bn ($206m) bond issue would be used to finance the transaction.

Del Monte Foods was created in 1988 after the leveraged buy-out of RJR Nabisco by Kohlberg Kravis Roberts, the US buy-out specialists. It was one of four divisions of the original Del Monte company, which had been acquired in 1978 by RJ Reynolds.

In 1990, Del Monte Foods, based in California, went through a further change of ownership after a $1.54bn Merrill Lynch-backed management buy-out. Since then, further disposals have taken place. However, sales for the San Francisco-based business amounted to $1.4bn last year.

The Italian company, headed by Mr Sergio Cragnotti, a former chief executive of the Ferruzzi group, was set up in early 1991 with L450bn in launch capital. Its aim is to establish international areas of operation in the foods, detergents and packaging sectors.

Acquisitions so far have been concentrated in the packaging sector. The purchase of Cica late last year was its first venture on the foods side.

Maughan appointed chairman of Salomon Brothers

By Patrick Harverson in New York

A WEEK after paying a $290m government fine to settle charges that it had rigged billion-dollar Treasury bond auctions, Salomon Inc yesterday appointed Mr Deryck Maughan as chairman and chief executive of its Wall Street securities subsidiary, Salomon Brothers.

The move, which had been expected, paves the way for the departure of Mr Warren Buffett, the billionaire investor who took over as chairman of the parent group last August after the bond trading scandal which toppled the firm's senior management. Mr Buffett pledged a few months ago to step down as chairman of Salomon Inc after the government's investigation was completed, and is expected to announce his successor soon.

He has expressed his preference for an independent chairman without previous ties to the group's two main business units, Salomon Brothers and Phibro, the oil trading firm.

Mr Maughan's appointment as chairman of the securities house is a reward for helping the firm survive last summer's crisis when federal authorities discovered bond traders at Salomon had been faking customer orders in Treasury auctions to get around government restrictions.

He restructured Salomon's securities trading operations: the firm's management structures were redesigned; its business priorities reshaped; and its compensation system completely overhauled. Although the restructuring and the introduction of a new pay system created upheaval within the firm and led to defections by some senior staff, the new Salomon was widely regarded as a better managed and more efficient firm.

Mr Maughan said yesterday that he regarded his appointment as "more an affirmation of what we've been working on the for the past year, than any signal of a radical departure".

The rise of Mr Maughan to the top of one of Wall Street's biggest securities houses has been rapid. The 44-year-old British-born coal miner's son joined Salomon in 1983, and made his name running the firm's highly profitable Japanese operations. He returned to New York last year as co-head of investment banking, but was quickly appointed chief operating officer a few days after the bond trading scandal broke in early August.

Profits up 26% at Body Shop

By Jane Fuller in London

A FIRST profit contribution from the US and strong growth in continental Europe helped The Body Shop International, the beauty products group, to increase pre-tax profit 26 per cent to £25.2m ($45.5m) in the year to February 29.

Turnover rose from £115.6m to £147.4m, with overseas sales growing 45 per cent to £61.5m. The group trades in about 40 countries. Outside the UK, more than 100 store openings took the total to 517, while the domestic tally went up by 37 to 210.

In the US, where 41 new stores brought the chain to 78, turnover rose 76 per cent to £23.4m, overtaking continental Europe, which went up 40 per cent to £22.3m. A similar number of openings is planned in the US for this year.

The group made £1.5m profit in the US, compared with a £600,000 loss the previous year when the transplant was at an early stage.

Ms Anita Roddick, managing director, said there were 23 competitors trying to copy Body Shop in the US but she was confident of staying ahead because of the company's approach to product development and its campaigning values – which she termed a "magic 2 per cent".

Overall, overseas trading profits grew 59 per cent to £11.4m. Mr Stuart Rose, director, said the share of profit had grown from 33 per cent to 41 per cent.

With 300 stores seen as the optimum number in the UK, there would be up to 25 openings a year, compared with 130 to 150 overseas.

The only region to show a sales fall was Canada, down 16 per cent. It would not show a minus figure this year, said Mr Rose.

In the UK, where like for like sales growth slowed to 1 per cent, profit rose 11 per cent to £16.5m. Mr John Jackson, director, said there was no sign of a retail recovery. However, through store openings, sales rose 17 per cent.

The company had finished a £40m investment programme in its Watersmead site in Hampshire. Most of its products are made in the UK.

The capital spending lay behind an increase in net debt to £32m, and gearing of nearly 43 per cent compared with 26 per cent in February last year. Net interest paid increased to £2.67m from £1.95m. On a slightly lower tax charge, earnings per share rose 31 per cent to 8.8p, against 6.7p. A final dividend of 0.92p makes a total of 1.6p (1.22p).

Lex, Page 16

Chinese-backed group in HK$3.8bn Hong Kong property move

Taking a stake in the colony

Agreement underlines the transformation of commercial relations, writes **Simon Holberton**

When Mr Deng Xiaoping, the 87-year-old Chinese patriarch, travelled to Guangdong in January, he was impressed with the pace of economic development. He left the local Communist party officials-turned-entrepreneurs with one message: be bolder still.

Three of China's fastest growing communities are taking him at his word. The governments of Nanhai and Foshan, together with the city of Zhongshan – all in the Pearl River delta region of Guangdong province – are backing a consortium which yesterday participated in China's biggest plunge into Hong Kong's property market.

They agreed to pay HK$3.8bn (US$490m) to Hongkong Land, the Jardine Matheson property subsidiary, for a slice of prime Hong Kong real estate. The property, which will be paid for in instalments over the next 18 months, is the recently-developed 9 Queens Road, a 301,000 sq ft office and retail office block.

China is estimated to have invested US$10bn in the colony

The price values the office space at HK$10,000 per sq ft and the retail space at HK$12,000 per sq ft – prices which analysts say will lead to a re-rating of landlords, especially Hongkong Land, the colony's biggest landlord.

The deal puts Hongkong Land in a prime position to assume the lead role in a Jardine bid to build the colony's ninth container terminal.

It also allows the company to participate in further property development in Hong Kong, or to take advantage of the distressed market conditions in the UK.

"We are in strong shape and can move quickly if we find an attractive investment", said Mr Alasdair Morrison, Hongkong Land's managing director, "but we are in the fortunate position of being able to wait."

Two local Hong Kong companies, with impeccable mainland connections, are part of the Chinese-led consortium: Hongkong Macao Holdings, which will take 10 per cent of the property, and its associate, China Investments, which will have 5 per cent.

Hongkong Macao is headed by Mr Hu Jinguang, a mainland Chinese businessman. Little is known about him, except that he left China five years ago for central America and arrived in the colony last year with a lot of money and a Panamanian passport.

Mr Hu acquired a controlling interest in Hongkong Macao and, since September, has invested in Shenzhen's biggest office block, taken a controlling stake in a Beijing residential and shopping development, and bought a hotel in Guangzhou (Canton).

Hongkong Macao and China Investments also said yesterday they would be buying 68m sq ft of land in Huizhou, Guangdong, for a consideration of HK$620m to be paid for by the issue of shares to a company owned by the city.

The involvement of the two Hong Kong companies leaves the mainland investors to fund the lion's share of the purchase from Hongkong Land.

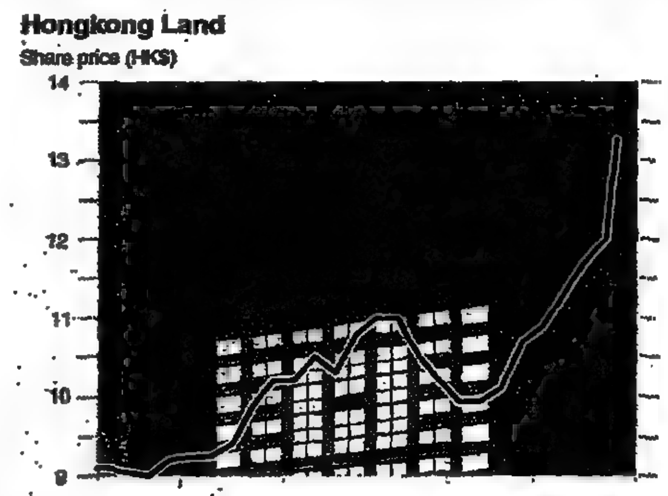
The mainland participants undoubtedly have the resources, but how they will fund their HK$3.23bn obligation has been left unsaid.

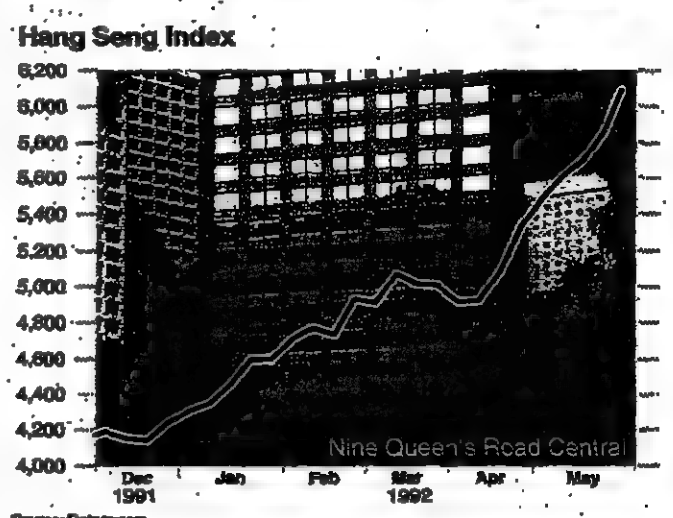
However, this commitment to the Hong Kong property market underlines the transformation which has taken place, in commercial matters at least, between the colony and the mainland.

Since the beginning of this year, "China" has been the dominant factor behind the performance of the Hong Kong stock market. Mainland Chinese investors have committed large sums to the market, but that is just evidence of the change in mood. It was primarily British and US investors who took the Heng Seng index through the 6,000 level this week, to leave it 42 per cent higher than its 1991 closing level.

China's re-embrace of economic reform, which started with Mr Deng's visit to the south, has gathered pace and the country is now courting international investors with renewed vigour. This has heartened local investors who, sitting in Hong Kong, observe daily the economic miracle taking place across the border.

Mainland companies have expanded their interest in Hong Kong through all walks of commercial life, from banking and insurance to transportation, manufacturing and retailing. Cumulative mainland investment in the colony is estimated to be in excess of US$10bn – underlining that trade and investment is two-way – and controlled by literally thousands of companies.





Source: Datastream

In April, China Merchants, one of the "Four Heavenly Kings", as the big Beijing conglomerates are known in the colony, paid Peninsular & Oriental Steam Navigation Company £100m ($180.4m) for a 15 per cent interest in container port operator, Modern Terminals. China Merchants' fleet already ships 10 per cent of the colony's seaborne trade.

Beijing-based China International Trust and Investment Company through its listed Hong Kong subsidiary, CITIC Pacific, owns large slices of Cathay Pacific and Hongkong Telecom and is developing into a "hong" to rival Jardine Matheson, Swire and Hutchison.

"Some people view China's purchases of assets in Hong Kong as a threat," said Mr Richard Witts of United Mok Ying Kie, a local broker.

"But why put up good money now if they intend to march in and take it come 1997? I think it is a very positive development."

Hutchison bids for Cavendish minorities, Page 23; Lex, Page 16

Isosceles in negotiation with banks over possible breach of covenants

By Robert Peston and John Thornhill in London

ISOSCELES, the highly-indebted investment company which owns the UK Gateway supermarket group, is in negotiations with its banks because it expects to breach its banking covenants or clauses of its loan contracts.

Bankers with a close knowledge of the group said yesterday that the company was planning to write to its banks next month outlining the breaches and explaining the group's long term strategy, which is to prepare for a stock market flotation in 1994.

It also emerged yesterday that Isosceles is not paying interest in cash on around £290m ($523.2m) of mezzanine debt, which ranks behind the £760m of senior bank loans. Instead, this interest is being rolled up and will be paid in cash or shares, subject to negotiation, at a later date.

However, bankers said that there had been no negotiations to obtain waivers of cash interest. Provision was made at the end of 1990 for mezzanine interest to be rolled up if the company were to perform worse than expected.

There are two other reasons why Isosceles needs to amend its loan contracts:

- It wants to invest in its new store chains, Somerfield, Food Giant and some other experimental stores, in the hope that these will improve profitability and allow the company to be floated. SG Warburg, the merchant bank, is already working on a flotation.
- Proceeds from the planned disposal of Herman's, the US chain of sports shops, are likely to be much less than the company hoped when its covenants were agreed three years ago.

However, one banker stressed that Isosceles has to date made all interest and principal payments when they fell due. Nonetheless, the value of the company's equity may have fallen, according to some bankers, in view of the fact that the company has had to defer payment on the mezzanine interest.

Nonetheless, in the latest accounts filed at Companies House by Newgateway, owner of 40 per cent of Isosceles's equity, no provision has been made for any fall in the value of the shares. Newgateway is owned by the US investment bank Wasserstein Perella and its clients.

Bankers said yesterday that discussions with the company would focus on its long term strategy.

Badly-timed deal, Page 25

Loss of L450bn expected at Ilva

By Haig Simonian in Milan

ILVA, the Italian public-sector steel company controlled by the IRI state holding company, is expected to report a loss of up to L450bn ($371m) when its 1991 results are announced next week.

The figure, which has to be approved by IRI, would banish hopes by the company, created from the ashes of the ill-fated Finsider steel group, to float part of its shares on the stock exchange this year.

Under Italian bourse rules, companies must show three straight years of profits before they can list their equity. Ilva, which took its present form in 1988, made net profits of L208bn in 1989 and L115bn in 1990. Its 1991 results, which have been severely hit by the current crisis in the European steel industry, have been eagerly awaited by bankers and politicians as a further indication of the government's privatisation plans.

The decision to show a loss for 1991 represents a substantial change of strategy for Ilva. The company had until recently been conducting a series of substantial asset sales to create a large capital gain to counterbalance losses on the industrial side and close the year with a modest profit.

Mr Giovanni Gambardella, Ilva's chief executive, said yesterday it had instead decided to allocate the capital gain, amounting to around L450bn, to a special "restructuring fund" to help overcome its current difficulties.

He forecast that earnings in 1992 would remain under severe pressure, although the eventual outcome would depend partly on the use of reserves. "The market won't be better than in 1991, while costs have gone up," he said.

Ilva realised around L150bn from the sale of its Rome headquarters. Further gains have come from the disposal of its 49 per cent stake in the Sidermar shipping group and various electricity generating activities. Meanwhile, capital gains of L150bn have been derived from the transformation of its Piombino long-products division into a separate company.

Despite Ilva's failure to meet the bourse's profitability criterion. Mr Gambardella left the door open for a possible future quotation. That could come via a reverse takeover into a company already listed on the stock exchange, a technique commonly used in Italy.

One candidate would be Dalmine, the north Italian tubemaker in which Ilva has a 66 per cent stake. However, Ilva said the use of a quoted, but dormant, company from another part of the public sector was a more likely solution.

Mr Gambardella also revealed that Ilva was talking to a range of foreign banks about the sale of small equity stakes. No details were given, but the negotiations are believed to have taken place on the basis of hopes for a cyclical upturn in the steel market next year.

BP Chemicals sets up alliance with EniChem

By Robert Graham in Rome and Paul Abrahams in London

BRITISH Petroleum Chemicals and EniChem, the Italian chemical group, yesterday announced the formation of a broad strategic alliance.

The groups have formed a study team to discuss possible synergies in their polystyrene and styrene businesses with a view to setting up a joint venture. Both groups are small manufacturers in a sector which offers considerable economies of scale.

Together the companies would have a capacity of about 300,000 tonnes a year, according to Chem Systems, the chemical industry consultants. That would place them fourth in Europe, behind BASF of Germany, Dow of the US and France's Elf Atochem.

Yesterday's agreement will allow EniChem to go ahead with a new plant at Brindisi employing BP Chemical's gas process to produce 200 tonnes a year of high and low density polyethylene.

The agreement ends a long search by EniChem to find a technology partner in the field and marks a further success for BP Chemicals which has already sold 17 different licences of its gas process.

EniChem has already tried to set up agreements with other companies in number of product areas, including ICI of the UK in vinyls and Arco of the Netherlands in engineering plastics.

EniChem had considered in addition to BP an arrangement with its old rival Montedison. Through its US subsidiary Himont, Montedison has developed exciting but unproven technology for the production of polyethylene. Another strategy considered by EniChem was a broad alliance with Union Carbide allowing this US group a significant foothold in Europe. But this now seems less likely, EniChem opting instead for sectorial international links.

EniChem recorded a loss of L742bn ($619m) in 1991, blamed on weak prices, slack demand and heavy financial charges. A 1991-4 business plan – rationalising both plant and the work force – was held up by political objections to job losses and lower investment in the south. A watered down version was only approved late last year and EniChem remains well behind its main international rivals in reacting to the changing conditions of the chemical-petrochemical industry.

Electronic trading system secures £25m backing

By Richard Waters in London

TEN OF the most powerful banks in the foreign exchange markets are to put up £25m ($45m) to build a new electronic trading system to rival Reuters, the UK information group which dominates foreign exchange trading.

The 10 banks – from the US, UK and Switzerland – have been planning the trading system, known as Electronic Broking Service (EBS), for two years. EBS, which is scheduled for launch early next year, follows Reuters' own Dealing 2000-2 service, launched a month ago and currently in use at 33 banks.

Both are intended as substitutes for the brokers who act as middlemen in around 40 per cent of foreign exchange deals. Electronic broking systems, which replicate the work of human brokers, are estimated to cut broking costs to around a quarter of their current level.

Commissions paid to these brokers are one of the largest costs faced by banks in the foreign exchange market. One leading British bank said its commissions last year totalled around £8m.

The banks involved in EBS are Barclays, Midland and National Westminster of the UK; Bank of America, Chemical Bank, Citibank and J.P. Morgan of the US; and Crédit Suisse, Swiss Bank Corporation and Union Bank of Switzerland.

Each is putting up an equal share in the investment, with Quotron, the information services company owned by Citicorp of the US, providing a similar share. Quotron will build EBS, which is to be based on its recently launched F/X Trader dealing system.

The development of EBS reflects in part the banks' concern over Reuters' dominance of the foreign exchange markets. From its foothold in supplying prices, the company succeeded in capturing around 50 per cent of all foreign exchange deals with its last generation of dealing terminals. Many banks privately complain about Reuters' charges.

A third electronic broking system, Minex, is planned by KDD, the Japanese telecommunications firm, with the backing of Japanese banks.

Reuters said yesterday that Dealing 2000-2, which had suffered delays and was finally launched last month after several years in development, was performing well and meeting all expectations.

Schweitzer named as new head at Renault

By William Dawkins in Paris

THE French cabinet yesterday named Mr Louis Schweitzer, managing director of Renault, as chairman of the state-owned car group, the first of more than 40 top state sector jobs due for review in the next few months.

He was put forward for promotion by Mr Raymond Lévy, his predecessor, who retired at the weekend after six years at the wheel. He also has the support of Volvo, the French group's Swedish partner, with which Mr Schweitzer negotiated an alliance two years ago.

Mr Schweitzer is expected to continue to follow Mr Lévy's strategies, a smooth succession which sets the tone for nominations of other state sector chairmen.

Mr Pierre Bérégovoy, the prime minister, has said he wants to ensure management continuity in state-controlled companies, especially important at a time when the government is embarking on a programme of privatisations. The nominations are also important to the economy generally, as seven of France's top 10 companies are state-owned.

Mr Bérégovoy's unwillingness to interfere in the professional management of the state sector contrasts with the more hands-on approach of his predecessor, Mrs Edith Cresson.

This is also a contrast to the last time the mandates of state company chairmen came up for renewal, in 1989, when up to a third of the 45 people then involved resigned or were asked to leave.

Stock market expectation is that change is least likely at the heads of industrial heavyweights such as Usinor Sacilor, the steel group, Elf Aquitaine and Total in oil, Rhône-Poulenc in chemicals, the Pechiney aluminium group and Air France.

Even the chairmen of serious loss makers such as Bull and Thomson stand a good chance of having their strategies blessed and their jobs conserved, so as not to upset their numerous foreign partners.

Degussa reveals pre-tax profits increase of 7%

By David Waller in Frankfurt

DEGUSSA, the German metals, chemicals and pharmaceuticals group, made pre-tax profits of DM100m ($60.6m) in the first half of the current year, 7 per cent up on the DM93m made in the same period last year. This was in spite of a drop in turnover from DM6.55bn to DM6.08bn.

The company – which has said that it planned to cut 1,000 jobs to reduce costs in view of difficult conditions in most of its markets – said that the second quarter of the year had been better than expected.

Group profits for the year are likely to be better than last year's, it said. In the year to September 30 1991, pre-tax profits were DM179 – 44 per cent down on the previous year.

The expected improvement for the year would be due to rationalisation measures undertaken at the Laybold machinery subsidiary and at the parent company, with good results in the pharmaceuticals and dental products markets, rather than any fundamental turnround in the economy.

At the parent company level, pre-tax profits fell to DM57m from DM70m in the half-year.

Degussa said group sales would have been at more or less the same level as in the first half of last year, but for a 15 per cent decline in turnover in the precious metals trading sector. Pharmaceuticals sales rose by 18 per cent to DM766m.

● Horten, Germany's fourth largest retailer, is set to embark on a slimming down exercise which will involve a "significant" but as yet unspecified reduction in staff numbers, the company said yesterday. The purpose of the rationalisation is to improve profitability.

Much of the reduction will be achieved by natural wastage, but job cuts cannot be ruled out, Horten said yesterday, reporting a 4.5 per cent drop in sales during the first five months of 1992. Sales were severely down during the recent public service strike.

Philips to buy rest of Super Club

By Ronald van de Krol in Amsterdam

MINORITY shareholders in Super Club, the loss-making Belgian video rental chain, agreed yesterday to sell the company to its biggest shareholder, the Philips electronics group of the Netherlands.

Philips, which holds 51 per cent of Super Club's shares, offered earlier this month to pay BFr150 ($4.40) in cash for each of the 8.4m shares which it does not already own. Shareholders were also offered the choice of receiving warrants on Philips shares worth about BFr225 each.

A majority of 98 per cent of shareholders accepted Philips' terms at a meeting of Super Club's holding company in Geneva.

The vote brings to an end a dispute between Philips and several key minority shareholders about the value of Super Club's shares.

The Dutch company wanted 100 per cent control of the heavily loss-making Belgian group to carry out a thorough restructuring programme.

At their peak in 1990, Super Club's unlisted shares were worth more than BFr5,000 each on the Belgian over-the-counter market. The shares plummeted after a swift expansion programme landed the company in debt. Philips took majority control last year after a series of bail-out operations.

Philips' increasing involvement in the Belgian company had come as a surprise because of Philips' own financial difficulties, but Philips management has defended the investment, saying the video-rental business complemented the company's production of VCRs.

RJ Reynolds starts work on factory in Warsaw

By Christopher Bobinski in Warsaw

R. J. REYNOLDS Tobacco International has started work on a $33m cigarette factory in Piaseczno near Warsaw which is due to come on stream in the middle of next year and have an annual production capacity of 8bn cigarettes.

The decision to build the plant is in contrast to the strategy of its rival Philip Morris which has offered to purchase the Krakow tobacco works which accounts for around one third of the country's output.

Philip Morris, which recently bought the Czech cigarette monopoly, has a long-standing link with Krakow where it has has produced its Marlboro brand under licence since 1973. Last year output of Marlboro in Krakow reached 2bn cigarettes and Philip Morris is offering to invest $200m in the plant on top of the purchase price.

The country's five state owned plants last year produced 90bn cigarettes while an estimated 10bn cigarettes are imported, many of them as contraband.

New chief at Rolls-Royce

By Paul Betts, Aerospace Correspondent

SIR RALPH Robins, Rolls-Royce chief executive, is to succeed Lord Tombs at the end of September as executive chairman of the UK aero-engine and industrial power group.

Directors faced embarrassment yesterday when shareholders at the meeting voted against a resolution to enable directors to amend the executive share option scheme. The proposal will now be put to a ballot.

All of these Securities have been sold. This announcement appears as a matter of record only.

$2,145,000,000

GM
MARK OF EXCELLENCE

General Motors Corporation

$1⅔ Par Value Common Stock

55,000,000 Shares

Global Coordinator
MORGAN STANLEY & CO.
Incorporated

40,000,000 Shares

This portion of the offering has been offered in the United States by the undersigned.

MORGAN STANLEY & CO. Incorporated
THE FIRST BOSTON CORPORATION
LEHMAN BROTHERS
MERRILL LYNCH & CO.
J.P. MORGAN SECURITIES INC.
PAINEWEBBER INCORPORATED
SMITH BARNEY, HARRIS UPHAM & CO. Incorporated
DEAN WITTER REYNOLDS INC.

BEAR, STEARNS & CO. INC. — ALEX. BROWN & SONS Incorporated — BT SECURITIES CORPORATION — DILLON, READ & CO. INC. — DONALDSON, LUFKIN & JENRETTE Securities Corporation — A.G. EDWARDS & SONS, INC.
GOLDMAN, SACHS & CO. — HAMBRECHT & QUIST Incorporated — KIDDER, PEABODY & CO. Incorporated — LAZARD FRERES & CO. — MONTGOMERY SECURITIES — PRUDENTIAL SECURITIES INCORPORATED
ROBERTSON, STEPHENS & COMPANY — SALOMON BROTHERS INC — WERTHEIM SCHRODER & CO. Incorporated — SANFORD C. BERNSTEIN & CO., INC. — FURMAN SELZ Incorporated
ALLEN & COMPANY Incorporated — WILLIAM BLAIR & COMPANY — DAIN BOSWORTH Incorporated — FIRST OF MICHIGAN CORPORATION — KEMPER SECURITIES GROUP, INC. — LEGG MASON WOOD WALKER Incorporated
McDONALD & COMPANY Securities, Inc. — OPPENHEIMER & CO., INC. — PIPER JAFFRAY INC. — THE ROBINSON-HUMPHREY COMPANY, INC. — WHEAT FIRST BUTCHER & SINGER Capital Markets
ADVEST, INC. — ARNHOLD AND S. BLEICHROEDER, INC. — ROBERT W. BAIRD & CO. Incorporated — J. C. BRADFORD & CO. — COWEN & COMPANY — DOMINICK & DOMINICK Incorporated — ERNST & CO.
ROBERT FLEMING INC. — GABELLI & COMPANY, INC. — INTERSTATE/JOHNSON LANE Corporation — JANNEY MONTGOMERY SCOTT INC. — LADENBURG, THALMANN & CO. INC. — C.J. LAWRENCE INC.
WR LAZARD, LAIDLAW & MEAD Incorporated — MORGAN KEEGAN & COMPANY, INC. — NEUBERGER & BERMAN — THE OHIO COMPANY — THE PRINCIPAL/EPPLER, GUERIN & TURNER, INC. — RAGEN MacKENZIE Incorporated
RAUSCHER PIERCE REFSNES, INC. — RONEY & CO. — ROTHSCHILD INC. — STEPHENS INC. — STIFEL, NICOLAUS & COMPANY Incorporated — SUTRO & CO. INCORPORATED — TUCKER ANTHONY Incorporated
M.R. BEAL & COMPANY — BREAN MURRAY, FOSTER SECURITIES INC. — BRIMBERG & CO. — BURNHAM SECURITIES INC. — THE CHAPMAN COMPANY — THE CHICAGO CORPORATION
CROWELL, WEEDON & CO. — DANIELS & BELL, INC. — DOFT & CO., INC. — DOLEY SECURITIES, INC. — FAHNESTOCK & CO. INC. — FIRST ALBANY CORPORATION — FIRST EQUITY CORPORATION of Florida
FIRST MANHATTAN CO. — FOLGER NOLAN FLEMING DOUGLAS Incorporated — GRUNTAL & CO., INCORPORATED — HANIFEN, IMHOFF INC. — HAYES & GRIFFITH, INC. — JOHNSTON, LEMON & CO. Incorporated
EDWARD D. JONES & CO. — MABON SECURITIES CORP. — NEEDHAM & COMPANY, INC. — PARKER/HUNTER Incorporated — PRYOR, McCLENDON, COUNTS & CO., INC. — RAYMOND JAMES & ASSOCIATES, INC.
SCOTT & STRINGFELLOW INVESTMENT CORP. — SEIDLER AMDEC SECURITIES INC. — MURIEL SIEBERT & CO., INC. — VAN KASPER & COMPANY — WEDBUSH MORGAN SECURITIES

6,000,000 Shares

This portion of the offering has been offered in the United Kingdom by the undersigned.

MORGAN STANLEY INTERNATIONAL
CAZENOVE & CO.
S. G. WARBURG SECURITIES

BARCLAYS DE ZOETE WEDD LIMITED — COUNTY NATWEST SECURITIES LIMITED — LAZARD BROTHERS & CO., LIMITED — J. HENRY SCHRODER WAGG & CO. LIMITED

4,500,000 Shares

This portion of the offering has been offered in the Asia Pacific region by the undersigned.

MORGAN STANLEY INTERNATIONAL
DAIWA EUROPE LIMITED
NOMURA INTERNATIONAL

ANZ McCAUGHAN SECURITIES LIMITED — ARAB-MALAYSIAN MERCHANT BANK BERHAD — JAMES CAPEL & CO. — DBS BANK
JARDINE FLEMING INTERNATIONAL INC. — NIKKO EUROPE PLC — ORD MINNETT SECURITIES LIMITED — YAMAICHI INTERNATIONAL (EUROPE) LIMITED

4,500,000 Shares

This portion of the offering has been offered elsewhere internationally by the undersigned.

MORGAN STANLEY INTERNATIONAL
DEUTSCHE BANK Aktiengesellschaft
UBS PHILLIPS & DREW SECURITIES LIMITED

ABN AMRO BANK N.V. — BANCO BILBAO VIZCAYA S.A. — BANQUE BRUXELLES LAMBERT S.A. — BNP CAPITAL MARKETS LIMITED — COMMERZBANK AKTIENGESELLSCHAFT — CREDIT LYONNAIS SECURITIES
CREDIT SUISSE FIRST BOSTON LIMITED — CREDITANSTALT-BANKVEREIN — DRESDNER BANK Aktiengesellschaft — ENSKILDA SECURITIES Skandinaviska Enskilda Limited — MEDIOBANCA-BANCA DI CREDITO FINANZIARIO S.p.A.
PARIBAS CAPITAL MARKETS GROUP — RBC DOMINION SECURITIES INTERNATIONAL — SCOTIAMcLEOD INC. — SWISS BANK CORPORATION — WOOD GUNDY INC.

May 21, 1992

Spin-off to split Control Data in two

By Louise Kehoe in San Francisco

CONTROL Data, one of the oldest US computer makers, is to be split into two independent entities, separating the company's computer products operations from its computer services businesses.

The company will take a $400m restructuring charge in the current quarter.

Control Data's computer systems products operations will be spun off as a new company, to be called Control Data Systems, while the remaining computer services operations will be renamed Ceridian Corporation.

Silicon Graphics, a California computer workstation manufacturer, had agreed to buy a 10 per cent stake in Control Data Systems and NEC of Japan was considering taking a 5 per cent stake in the new company, Control Data said. Silicon Graphics and NEC have existing marketing and technology ties with Control Data.

The division of the company will complete the transformation of Minneapolis-based Control Data from a computer maker to a services business. The company was once one of the leading makers of supercomputers and mainframe computers.

"The separation of Control Data into Control Data Systems and Ceridian is a major step in the effort to strengthen the businesses and help them grow faster," said Mr Lawrence Perlman, president and chief executive of Control Data. Mr Perlman will become president and chief executive of Ceridian after the split.

"Control Data Systems will be a significant factor in the expanding worldwide "open-systems" market, and Ceridian will be a leading services company in business and government markets."

He added that the move should also enhance the ability of Control Data Systems and Ceridian to attract capital.

Control Data will capitalise the new Control Data Systems company with $50m in cash, payable when the spin-off occurs, and an additional $45m in cash, payable in December 1993.

Control Data shareholders will receive one share of Control Data Systems common stock for every four shares of Control Data Corporation they currently hold.

There will be no ongoing ownership or management relationship between the two companies after the spin-off, although they will continue to provide products and services to each other over a transition period.

Control Data said about $115m of the charges were associated with Control Data Systems' plans to continue a transition from proprietary products to "open systems" based on industry standards.

The balance of the $400m charges reflects an anticipated loss and related costs of $55m in connection with the sale of the company's Automated Wagering business, and provisions of around $55m for property lease obligations.

Spectre of losses dogs US carriers

Nikki Tait outlines the well-founded anxieties of American Airlines

Bob Crandall has never lacked a punchy comment. Even so, the outspoken chairman of American Airlines seemed to attain fresh levels of exasperation last week when he assessed US carriers' prospects.

"This isn't a game," he told assembled media after his company's annual meeting. "This is deadly serious. This industry is going down the tubes."

Mr Crandall has a point. In the first three months of 1992, with the economy supposedly recovering and the Gulf War a distant memory, only two US airlines – American and its much smaller Dallas-based neighbour, Southwest – made any money at all.

In American's case, the operating profit was a skeletal $137m, on revenues of $3.5bn.

Grim first-quarter figures may be only the beginning of the year's bad news. Many US analysts believe that the sector will be lucky to make any money in 1992.

"We were forecasting a very marginal profit, between break-even and $500m," says Lee Howard at Airline Economics, the Washington-based consultancy. "Now, it could be the bottom-end of that range."

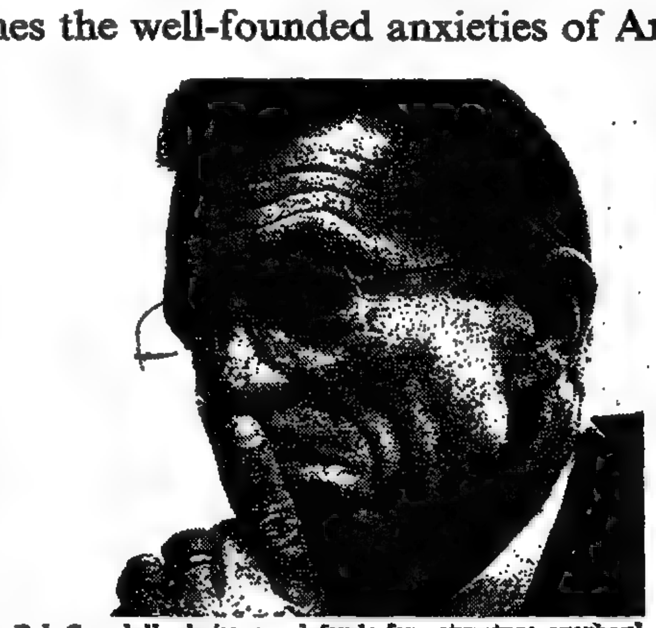
Avmark, another aviation consultancy, is bleaker still, suggesting that losses may start to approach the levels seen in 1991. That was when the nine surviving national carriers (excluding Pan Am, which went out of business in October), produced a horrendous $1.68bn deficit after tax.

Either way, if such Cassandra-like predictions are correct, 1992 will become the third successive year in which the US airline industry has failed miserably to line its coffers. Accumulated losses for the nine carriers over the three-year period may range upwards of $5bn.

The explanation for the flood of red ink is simple. In spite of all the airline bankruptcies, staff cuts and pruned capital spending plans, there is a continuing mismatch between domestic capacity and costs on the one side, and demand/revenues on the other. The chief questions are: when will matters improve; and can anything be done to accelerate recovery?

The cost side, however, has not been unremittingly bleak. The price of fuel, accounting for 15 per cent-plus of any airline's operating expenses, has fallen year-on-year, although it has been rising again recently.

United Airlines calculates that it paid about 62 cents per gallon of jet fuel in the first three months of 1992, down from 83 cents in the first quarter of 1991. A one cent reduction in fuel prices adds $130m to the industry's annual profits.



Bob Crandall, chairman: defends fare structure overhaul

Labour costs, meanwhile, amount to another 30 per cent of operating expenses, and some carriers have secured concessions here.

For example, USAir reached a new agreement with its pilots, involving salary cuts. Even the mighty Delta, which set the pace for pilots' pay with a three-year contract in 1990, won agreement from employees to extend the deal for a further 16 months.

Instead of receiving a 12.5 per cent rise over three years, pilots will receive 14.5 per cent over four and a half years.

On the revenue side, mitigating circumstances are harder to find. While international traffic recovered swiftly from the Gulf War hiatus, North America's huge domestic market remains moribund. According to the Air Transport Association (ATA), US passenger traffic fell last year, for the first time in a decade.

Revenue passenger miles were flat, and the number of passengers slipped by nearly 1 per cent. Scheduled capacity, however, increased by 2 per cent.

The first four months of 1992 have been no better, with revenue passenger miles down by 1.1 per cent year-on-year and available seat miles up by 1.9 per cent. That hurts, because in spite of all their expensive route acquisitions, in Europe and Asia, US carriers remain heavily dependent on domestic traffic. American, for example, drew more than three-quarters of its revenues from the US last year.

With demand flat, that leaves pricing – and here matters are more complex. Last month, American announced a fares offensive. Essentially, its domestic price structure will be streamlined into four basic fare classes: first class; full coach; 7-day advance; and 21-day advance.

The first two classes will be substantially cheaper than comparable "pre-streamlining" fares, but will dispense with the myriad of discount fare schemes, corporate concessions, and so on.

It is easy to see why American felt the need to act. ATA figures show that "discount" traffic accounted for 94.9 per cent of total domestic travel in 1991, compared with 70.6 per cent a decade earlier.

The "average" discount, moreover, increased from 46.2 per cent in 1981 to 65.6 per cent 10 years later. American itself was offering about 500,000 separate fares ahead of the overhaul. Post-streamlining, this was reckoned to reduce to 70,000; a significant cost-saving.

But many analysts interpreted the move mainly as a bid to stimulate business travel or at least to persuade business travellers to pay for convenient full-coach tickets (albeit cheaper than before), rather than have them scramble around the discount offerings.

American acknowledged it would see a net revenue loss short-term, but hoped this could be recouped by increased demand.

One month later, it is questionable whether the strategy has worked. The largest carriers immediately matched American. But, within days, financially-troubled carriers like TWA, USAir and Continental, were undercutting. Only this week Northwest Airlines introduced a two-for-one leisure fare during the summer season on domestic flights and some carriers have followed suit.

Today, Mr Crandall defends his overhaul. He says the simplified fare structure is still in place, even if the level of fares is lower than anticipated.

He claims that about 30 per cent of the fares now being booked are full coach. "We are not displeased," he says defiantly. "We're getting the change in mix, but yields will be lower than we thought."

Analysts beg to differ. They point out that various corporate discounts are still available. Moreover, even on a simple route like Washington-New York, there are a dozen published fares, three times the number which the "simplified pricing" strategy was supposed to create. At least one analyst claims the fare structure overhaul is deteriorating rapidly.

Some cynics suspect that American's objectives were two-fold from the outset. Even if the overhaul failed, it would at least put further pressure on the financially-distressed, undercutting carriers, and hopefully push them from the skies. American denies this.

The fact is, however, that airlines in the US do not die easily. So long as assets can be sold or further credit secured, debt-burdened carriers have survived for years, especially under bankruptcy court protection.

Eastern, Pan Am and Midway only collapsed when the cash ran out. So, although consolidation is taking place, the process - for the survivors - is painfully slow.

Moreover, even if the financially-troubled carriers disappear, there remains the competitive threat from Southwest, the highly-successful low-cost airline.

By avoiding all the costs of a national hub network and by retaining its lean structure, Southwest can regularly undercut its bigger rivals and still make a profit.

Mr Crandall acknowledges that something may have to be done. Options being considered include pulling American out of some particularly tough markets, or introducing a rival low-cost service.

Many analysts think that the most the industry can expect is a long wait until domestic traffic revives, until undercutting slackens off as a result of failures, and until demand starts to reflect supply more closely. That may start to happen in 1994. Mr Crandall is less phlegmatic: "Either this industry fixes itself, or the US is not going to have an industry."

Fox decision baits US networks

By Alan Friedman in New York

MR RUPERT Murdoch's Fox Broadcasting, an independent US television network founded five years ago, will challenge the traditional networks by expanding its programming schedule in September from four to six nights a week.

The network also plans to expand to seven nights a week of programming next winter, when it adds an evening of movie programming.

Fox, a division of Mr Murdoch's News Corporation, has managed to take on the existing big three networks – ABC, NBC and CBS – with a brash formula of successful drama, comedy, and tabloid shows. Last year Fox garnered more than 8 per cent of the US television audience share.

The plan adds 11 new shows, increasing Fox's prime time programming from 10 to 14 hours a week. That is still below the 15 hours weekly level which, under US regulatory guidelines, allows Fox to profit from the syndication of shows. Other networks are prevented from syndicating as they exceed 15 hours weekly.

Fox was founded under the management of Mr Barry Diller, who resigned recently as chairman of Fox Inc, the parent of the network and Hollywood studio.

Mr Murdoch assumed a more hands-on role at Fox after Mr Diller's departure. He is keen to prepare for a greater challenge for his fledgling network.

Litton shows improvement

LITTON Industries, the diversified US group, reported higher third-quarter net income, with profit growth in all four of its principal businesses, Reuter reports.

Consolidated net income was $44.7m, or $1.08 a share, on sales of $1.52bn, compared with net income of $41.9m, or 96 cents, on sales of $1.37bn in the year-earlier period.

Turnover rose in all segments except advanced electronics, where sales declined to $513.3m from $523.2m.

Philip Morris launches $3bn share buy-back programme

By Nikki Tait in New York

PHILIP Morris, the US tobacco and food group, yesterday announced an additional share buy-back programme which would allow it to purchase up to $3bn of shares over a two-year period.

The company still has available more than half its existing $2bn facility, launched in November. Together, the two programmes would allow the company to buy up to $4.1bn of additional stock.

Philip Morris has strong cash-flows from its highly profitable tobacco operations. In the past, it has diverted some of this money into diversification, building up a large food and beverage business, and subsequently paying down debts taken on to finance the acquisitions.

However, the company has also used spare cash to buy back shares.

On Wall Street yesterday, Philip Morris shares rose $⅜ to $74⅜.

Southern plans further job losses

SOUTHERN, the US utility, is to cut 1,250 jobs this year at its Georgia Power and Alabama Power units, Reuter reports.

The company said at its annual meeting that it expected compliance with the clean air act to cost $2.2bn. Mr Edward Addison, chairman, said, in answer to a shareholder question, that the cost could be as much as $3bn.

Mr Addison said additional workforce cuts were a priority. "There's no question in my mind, looking at our five operating subsidiaries and Southern Co Services, that we still have many opportunities to cut out unnecessary duplication. This is particularly true of the staff support we provide to our basic business units."

The company reported on May 26 four months' earnings of $220m, or 70 cents per share.

Mr Addison said that "no charges will be brought" in connection with a US government investigation into investments by the company's pension plans, through his son, who worked at the investment firm of Kidder Peabody.

New products boost the bottom lines of some leading drug companies

Mixed results posted by Japanese pharmaceutical sector

By Emiko Terazono in Tokyo

JAPAN's leading pharmaceutical companies have revealed mixed results for the fiscal year to March, with companies marketing new products recording strong performances and those without turning in lower profits.

Sankyo, the second largest in the industry, posted solid earnings for the period thanks to sales of Mevalotin, its anti-hyperlipidemic drug.

Yamanouchi Pharmaceutical, with its anti-ulcer treatment, and Tanabe Seiyaku, which posted a 6.9 per cent rise in pre-tax profits to Y13.1bn ($101.55m), also benefited from strong sales of some products.

However, Takeda Chemical Industries, Japan's largest drug maker, saw a decline in profits. Fujisawa Pharmaceutical, meanwhile, posted a 16.3 per cent fall in pre-tax profits as sales of its anti-ulcer drug failed to reach expected levels.

Takeda posted a 12.5 per cent fall in after-tax profits to Y32.5bn largely reflecting capital losses from a recent typhoon. Fujisawa recorded higher non-operating costs because of an increase in funding expenses.

TOP JAPANESE PHARMACEUTICAL COMPANIES	Sales*	Change	Pre-tax profits*	Change
Takeda	560.9	+1.8	71.3	-3.1
Sankyo	359.5	+6.9	51.8	+19.0
Fujisawa	226.5	+2.4	15.6	-16.3
Yamanouchi	225.9	+6.0	61.1	+2.5

* Ybn for year to end-March

Other companies unveiling lower pre-tax profits included Eisai, which reported a 9.5 per cent decline to Y31.2bn, and Dainippon Pharmaceutical, with drop of 10.5 per cent to Y3.4bn.

For the current year to March 1993, Japanese pharmaceutical companies face the effects of an official drug price cut approved by the Ministry of Health and Welfare in April.

The impact on companies with heavy dependence on sales of antibiotics is expected to be greater than on the industry as a whole.

Mr Mitsuo Ohmi, pharmaceutical analyst at Barclays de Zoete Wedd in Tokyo, said the sector would need to introduce new high-margin products to offset the effects of the price cuts.

Takeda forecasts a 0.2 per cent increase in pre-tax profits to Y71.5bn on a 3.4 per cent rise in sales to Y580bn, while Sankyo expects a 12 per cent rise in pre-tax profits to Y58bn on a 7 per cent increase in sales to Y385bn.

Mitsubishi Rayon, Teijin reveal pre-tax declines

By John Burton in Tokyo

MITSUBISHI Rayon and Teijin, two of Japan's leading synthetic fibre makers, yesterday reported lower pre-tax profits for the year to end-March.

Mitsubishi Rayon's pre-tax earnings fell by 23 per cent to Y9.5bn ($73.6m) because of a growing deficit in financial items. Net profit dropped by 30.8 per cent to Y4.2bn.

It was Mitsubishi Rayon's first profit decline since 1987, and the company expects earnings to slide further to Y8bn this fiscal year. Net profit is also predicted to tumble to Y4bn in the current year.

Sales fell by 1 per cent to Y272.5bn due to slow turnover in the non-fibre business, particularly resins. However, a slight recovery is expected this year, with sales reaching Y275bn.

Mitsubishi Rayon is to cut back on investments this year because of the profit downturn. It plans to spend Y17bn on plant and equipment, against Y27.8bn a year ago.

Teijin blamed its 22.3 per cent fall in pre-tax earnings to Y26.7bn on stagnant sales of non-fibre products, such as film for audio tapes. Increased depreciation costs and a deterioration in financial items also contributed to the decline.

Sales during the last fiscal year rose by 4.1 per cent to Y339.1bn and are expected to increase to Y350bn this year.

Net profit decreased by 26.7 per cent to Y14.8bn and is expected to fall to Y11bn.

Oil distributers unveil record profits for year

By John Burton

TWO of Japan's leading oil distributers, Mitsubishi Oil and Cosmos Oil, yesterday announced record profits for the fiscal year to the end of March.

Mitsubishi Oil explained that its 9.7 per cent rise in pre-tax profits to Y23.5bn ($182.1m) was due to lower interest rates and substantial foreign exchange gains, which improved financial income.

The company also saw increased sales of higher-valued petroleum products, which limited the effect of a 4.4 per cent decline in revenues to Y1,041bn, the result of lower crude oil prices and the appreciation of the yen.

Net profit grew by 22.9 per cent to Y13.6bn and the dividend was raised to Y8 from Y7.50.

Mitsubishi Oil expects higher sales, but lower pre-tax profits for the current fiscal year.

Cosmos Oil had its best profits since its creation in 1986 as a result of the merger of Daiky Oil and Maruzen Oil. Pre-tax earnings climbed by 56.5 per cent to Y27.8bn, while net profits surged by 90.6 per cent to Y19.4bn.

The sale of higher-valued petroleum products through an improved distribution system and higher financial income contributed to the earnings increase, although sales fell by 7.7 per cent to Y1,581bn.

The company predicts that sales will increase to Y1,620bn while pre-tax profits will grow to Y28bn, although net profits will fall to Y13bn.

Kubota hit by higher costs and weaker tractor sales

By John Burton

KUBOTA, the Japanese producer of farm equipment and pipe systems, yesterday reported a 5.9 per cent fall in consolidated pre-tax profits to Y36.8bn ($285.2m) for the fiscal year ended March 31.

The company blamed the decline – its first in six years – on rising operating costs and weaker overseas sales of tractors and other farm equipment, especially in Europe and the US.

Sales increased by 1.8 per cent to Y909.2bn, reflecting a 2.5 per cent rise in domestic revenues. Overseas sales, which account for 16 per cent of the total, declined by 1.4 per cent to Y144.1bn.

Net income dropped by 41.6 per cent to Y4.2bn because of the liquidation of its troubled Stardent Computer subsidiary in the US, which brought an extraordinary loss of Y17.1bn.

On an unconsolidated basis, pre-tax earnings fell by 12.6 per cent to Y31.7bn.

Sales are expected to rise to Y750bn from Y728.6bn, and net profit to fall to Y18bn from Y18.6bn.

Kawasaki Heavy slides at operating level

By Emiko Terazono

KAWASAKI Heavy Industries, a leading Japanese shipbuilder, reported a heavy fall in operating profits because of foreign exchange losses and higher costs for construction of liquefied natural gas carriers.

For the year to end-March, Kawasaki said that operating profits had fallen 21.7 per cent to Y32.8bn ($254.2m), in spite of a 4.4 per cent rise in sales to a record Y931.3bn.

Pre-tax profits rose a marginal 0.2 per cent to Y20.5bn. After-tax profits fell 16.4 per cent to Y9.4bn because of increased tax payments, which rose 58.6 per cent to Y11.1bn.

Kawasaki managed to recoup the decline on its operating profits with proceeds from the sale of securities holdings, which rose by 2.7 times from the previous year to Y5bn.

For the current year Kawasaki expects shipbuilding growth to buoy revenue, and forecasts a 4.1 per cent increase in sales to Y970bn and a 9.8 per cent rise in pre-tax profits to Y22.5bn.

Daishowa Paper slips into the red again

By John Burton

DAISHOWA Paper, Japan's second biggest paper maker, announced a loss for the second consecutive year.

The company said its pre-tax loss was reduced to Y6.3bn ($48.8m) from Y14.9bn the previous year, but it predicted the deficit would increase to Y13.8bn in the current fiscal year.

Daishowa has been plagued by heavy debts which it incurred during a rapid acquisition programme abroad in the 1980s, including the purchase of the Canadian paper operations of Reed International in 1988 for C$631m (US$530.2m).

Daishowa has been selling assets, including securities and land, in an effort to halve last year's debt burden of Y450bn by 1996. However, the recent fall in share prices has meant Daishowa's progress in reducing debts has been slower than expected.

It repaid only Y5.3bn in debts during the last fiscal year, instead of the planned Y14bn. Daishowa expects earnings from the sale of securities will be lower this year, resulting in higher pre-tax losses.

Net income dropped by 76 per cent to Y1.65bn, but remained in the black due to the disposal of land. Net profit is predicted to slip slightly to Y16bn in the current fiscal year.

The reconstruction programme has been set back by lower paper prices which reflect a production glut in the global paper industry.

Sales slipped by 1.3 per cent to Y349.2bn, although Daishowa predicts a recovery to Y368bn this year.

ANZ improves to A$135m and holds dividend

ANZ Group, the Australian trading bank, yesterday reported a modest 5 per cent increase in net profit to A$135.5m (US$103.4m) for the six months ended March, 1992, writes Bruce Jacques in Sydney.

Gross income fell 16.4 per cent to A$5.29bn, but the bank reduced bad and doubtful debt write-offs from A$537.4m to A$382.6m. The interim dividend is being held at 10 cents a share.

Non accrual, or problem, loans rose to A$3.53bn from A$2.93bn in the first half of 1990-91. But they have stabilised since September when they stood at A$3.6bn.

While the results reflect overall improvement, the bank retains several trouble spots. The result was cut by A$49.6m (A$13.3m previously) in restructuring costs and the group's Australian banking business continued to trade at a loss, as did its finance offshoot, Esanda.

Losses from the Australian banking division eased from A$175.6m to A$140.7m and Esanda declared losses of A$33.8m, compared with A$32.2m previously.

On the other hand international banking, largely the former Grindlays group, lifted its contribution from A$116.8m to A$124.1m.

Earlier this week, ANZ directors said they did not anticipate any losses from bankers' receipt scandals in India where Grindlays has a sizeable market share.

The statement, which followed a meeting with the Indian Reserve Bank, said ANZ Grindlays had reconciled all bank receipts held.

The ANZ's New Zealand operation also held their own in the latest half with a marginal earnings increase from A$43.3m to A$44.8m while profits from the section termed Australian retail services eased from A$103.1m to A$71.0m.

Mr Bailey indicated that the company's property portfolio involved loans and acceptances of A$8.5bn and development ventures of A$700m. The non-accrual proportion of this exposure was A$1.6bn.

The result brought the company's capital adequacy ratio to 10.8 per cent, with Tier 1 capital at 6.6 per cent. Stated earnings followed a A$106.1m tax provision (A$104.5m previously) and excluded a A$35.5m abnormal profit (A$24.1m loss previously).

The bank reduced its provisioning against exposure to debt rescheduling countries in the half from A$479.9m to A$395.8m, with carrying value approximating secondary market values.

Australia's banks reveal diverse results

The ripples from Westpac's property write-offs are spreading writes Bruce Jacques

Seldom has an Australian bank reporting season produced such a diversity of results. In the space of a few days, six-month results have cast Westpac as the poor relation, ANZ as the battling improver and the National Australia Bank as a comfortable top performer.

The banks' experiences with Australia's crop of failed entrepreneurs have been well-chronicled. The big banks, including the 70 per cent federal government-controlled Commonwealth Bank, were naturally the most injured by corporate failures and falling asset values.

But the stock market did not begin to suspect until a few months ago that one bank out of the big four had performed substantially worse than its rivals. Its worst fears were confirmed last week when Westpac reported a thumping A$2.65bn (US$2bn) bad debt write-off.

That pushed Westpac into the first loss in its 175-year history, a A$2.3bn pre-tax deficit and forced the bank to turn to shareholders with potentially Australia's largest share issue, aimed at raising A$1.2bn.

Worse still, it appears the bank needs the funds to avoid falling below the Reserve Bank's prescribed capital adequacy ratios later this year when about A$700m in future tax benefits can no longer be counted as assets for prudential purposes.

The drama of Westpac's losses, which mainly reflected an overhaul of its extensive property portfolio, is likely to place the bank at a competitive disadvantage against its peers for some time to come.

It was a drama singularly lacking from the National and ANZ earnings reports, which had a strong "business as usual" flavour. The ANZ and the National did however appear to react to the Westpac shocks by making a point of detailing their own more modest property exposures.

The ripples have spread quickly from Westpac's property write-offs, with Australia's biggest home builder Jennings Industries effectively placing itself at the mercy of its bankers earlier this week following a total write-off of its stake in a A$850m Melbourne property development.

Ownership of the project has reverted 100 per cent to Westpac, but the Jennings write-offs, among other factors have caused its major shareholder, New Zealand's biggest company Fletcher Challenge, to foreshadow a NZ$400m (US$215m) property write-down in the current year.

And yesterday, Australia's second biggest life office, the National Mutual, had the long-term rating of its finance company lowered from A1 to A3 by Moody's Investor Services, the US credit rating agency.

"The oversupply of commercial real estate throughout Australia will likely result in additional property write-downs, further affecting National Mutual's reserve position," Moody's analysts said.

While Westpac remains Australia's biggest bank measured by total assets, the accompanying table indicates its position is far inferior to its rivals on almost all important counts.

Most notably, the bank's large A$8.19bn problem loan portfolio – more than the ANZ and the National combined – poses the danger that its write-offs will remain larger for the next few years.

The National's superior position has resulted largely from its ability to control its finance offshoot. The National was the only bank whose finance arm was in the black for the half-year, with its Custom Credit operation turning a A$88m loss into a A$6.4m profit.

Finance offshoots are where much of the big banks' problems have resided. Witness Westpac's A$850m capital injection into its Australian Guarantee Corporation subsidiary which lost A$719m. ANZ's Esanda operation lost almost A$34m.

HOW THE BANKS COMPARE

	Westpac	NAB	ANZ
Total assets at end-March	A$107.4bn	A$95.2bn	A$89.2bn
First-half net profit	(A$1.67bn)	A$405.6m	A$135.5m
Bad debt write-offs	A$2.65bn	A$412.6m	A$382.6m
Problem loans	A$8.19bn	A$4.25bn	$3.53bn
Problem loans as % of risk weighted assets	10.6	5.4	4.5
Capital adequacy ratio (%)	8.4	11.7	10.8

NM Rothschild to advise on Hungarian telecom privatisation

By Nicholas Denton in Budapest

HUNGARY yesterday appointed N.M. Rothschild to act as financial adviser to the privatisation of Hungarian Telecommunications Company (HTC).

The UK investment bank said it would be contacting potential investors within the next few days. A number of international companies such as BT, Mercury and AT&T are understood to be interested buyers.

The Hungarian authorities plan to float a significant minority in HTC, possibly more than 30 per cent. The sale to an industry investor is scheduled for early to mid-1993. It will be followed by a public offering.

Investment bankers say the HTC privatisation will be the largest in Hungary and one of the most significant in eastern Europe to date. HTC has an asset value of Ft132bn ($1.67bn), and has capital requirements of around $800m-$1bn over three years and $2bn-$3bn over five to 10 years.

The HTC privatisation is driven by the pressure to reverse decades of neglect with the telecommunications system and bring infrastructure up to international standards.

Hungary, which has only 10 access lines per hundred inhabitants, compared with 45 in the UK, is thus aiming to increase the penetration rate by 10 per cent a year.

N.M. Rothschild said the undeveloped state of Hungarian telecommunications offered opportunities for strong earnings growth. Unit volumes would increase along with line penetration; and efficiency gains would result from the privatisation's injection of capital.

NM Rothschild won a hotly contested tender to advise on the privatisation against competition.

The mandate to advise HTC is due to be announced in the coming days.

Hutchison bids for Cavendish minorities

By Simon Holberton in Hong Kong

MR Li Ka-shing's Hutchison Whampoa yesterday made a second attempt to take its associate Cavendish International private, when it unveiled a HK$5.50 a share bid, valuing the company at about HK$16bn (US$2bn).

Analysts said the higher price may just win the day for Mr Li although it still represented a discount on the company's net asset value of more than HK$6 a share. Mr Li was surprisingly rebuffed last year when minority shareholders failed to support a HK$4.10 a share offer for the company.

Hutchison, which already owns 63.4 per cent of the company, will have to outlay HK$5.58bn to acquire the minorities. It said its offer represented a 32 per cent premium over Cavendish's share price prior to the bid. The company said the proposed consolidation of Cavendish would allow the Hutchison group structure to be simplified and economies effected.

Cavendish main assets are its 34 per cent of Hongkong Electric Company – the monopoly supplier of electricity to Victoria Island – 24.5 per cent of Husky Oil, the Canadian oil and gas producer, and 50 per cent of property developer ICH.

A merger of the two would give the enlarged Hutchison 49 per cent of Husky. Mr Li owns 46 per cent of Husky personally. He exercises effective control over Hutchison and Cavendish through a 39.07 per cent interest in Hutchison held by his flagship, Cheung Kong.

In March Cavendish reported a 5 per cent fall in net profits to HK$1.25bn – the result of a HK$462m provision for the fall in value of Husky's oil and gas reserves.

At the end of 1991 Hutchison had net cash of HK$491m and Mr John Mulcahy, research director at Peregrine Brokerage, said that given its capital spending commitments in its telecommunication business it may have to come to the market with a rights issue.

S&P rating aids Turkey's plan to restructure debt

By John Murray Brown

TURKEY reached an important milestone in its efforts to restructure its external debt of about $49bn when it secured a triple BBB credit rating from Standard and Poor's.

The rating is a chief component in a debt strategy aimed at reducing Turkey's dependence on bank loans. It will smooth the process of tapping international bond markets.

In the long run, the move should curb the volatility in debt servicing, and improve both the maturity and term structure of its national debt.

Turkey launched a $150m Eurobond in March. That was the country's first public bond issue since August 1990. More recently, the Turkish Treasury issued its first Ecu-denominated Eurobond, a three-year paper worth $150m. The rating from S&P now paves the way for the Treasury to float $200m of Yankee bonds in US markets this summer. The Treasury has also mandated a Y30bn Samurai bond issue in Tokyo.

Turkey's outstanding foreign debt, public and private, stood at $49.2bn at the end of 1991. The public sector is still the largest debtor, although 1990 saw a sharp rise in private-sector borrowing offshore.

Medium and long-term debt accounts for $40.1bn. The remaining $9.1bn represents short-term commercial credits, mostly by the private sector. About 40 per cent of Turkish borrowing is at variable rates, the rest at fixed rates.

Official reserves at the end of April stood at $3.3bn, excluding gold. That represents less than two months of imports, and compares with $4.9bn at the end of 1991, which was already the lowest reserve figure for three years. However, total international reserves, which include the commercial banks, appear to have stabilised at about $11bn.

Mrs Tansu Ciller, economics minister, says that Turkey will need about $1bn in total new credit this year.

For the moment, Turkey's foreign exchange position is considered stable. Tourism revenues, down last year as a result of the Gulf War, are expected to rebound in 1992 to about $4bn. Workers remittances, worth about $2bn during the year, will pick up in the next few months as Turkish workers in Germany return for the seasonal Bayram holiday in June.

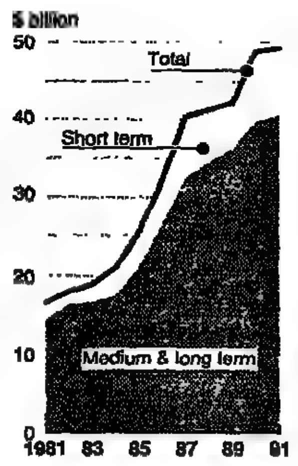
Difficulties will arise only if Turkey fails to tackle fiscal deterioration. As the lira is now fully convertible, this could result in a renewed current account deficit and capital outflows, which would impair Turkey's capacity to rebuild reserves.

In the first four months of 1992, Turkey has seen a 5 to 6 per cent real depreciation of the lira against the dollar.

The Treasury's immediate headache is an awkward bunching of repayments. According to balance of payments figures, Turkey will have to find $6.89bn in 1992 to service medium and long-term debt, including principal and interest repayments.

Total debt repayments, including short-term borrowings, are estimated at about $7.7bn or 30 per cent of Turkey's exports of goods and services. The ratio is not projected to decline significantly until 1996.

Turkish debt



Source: Central Bank of Turkey

Treasuries buoyed by rise in durable goods orders

By Patrick Harverson in New York and Sara Webb in London

US Treasury securities rose across the board yesterday, recovering some of the ground lost on Tuesday in the wake of higher oil prices.

GOVERNMENT BONDS

In late trading the benchmark 30-year government bond was up ⅛ at 101¼, yielding 7.895 per cent. At the short end of the market, the two-year note was also firmer, up ⅛ at 99⅞, yielding 5.242 per cent.

The market was buoyed early on by news of a 1.4 per cent increase in durable goods orders during April. Although the headline figure showed a bigger rise than analysts had expected, new orders would have been slightly lower for the month without a big rise in the volatile transportation orders component.

Overall, analysts said the figures confirmed that the economic recovery remained sluggish, and they briefly revived hopes that the Federal Reserve may cut interest rates again.

■ The Danish bond market made strong gains yesterday after an opinion poll showed a swing in favour of the Maastricht Treaty on European Union.

Hopes that Denmark would ratify the terms of the Maastricht Treaty, thereby paving the way for the convergence of Danish yields, prompted international investors to buy Danish paper.

Long-dated government bonds jumped a quarter of a percentage point, with the 9 per cent bond due 2000 rising from 101.00 to 101.25 to yield 8.76 per cent.

Denmark holds its referendum on the Maastricht Treaty on Tuesday June 2 and recent opinion polls suggested that Danes would vote against the Treaty. However, a Gallup poll released on Tuesday showed a swing in favour of Maastricht for the first time, with 41 per cent in favour and 39 per cent against the Treaty.

"The market shouldn't get carried away by the opinion polls, especially given that the polls can get it quite wrong," warned one trader, adding that "the reaction (to the polls) could be overdone".

Traders said 10-year yield spreads over German government bonds have narrowed slightly since the beginning of April – when negative polls pushed the yield spread to about 95 basis points – to about 87 basis points recently.

Elsewhere in Europe, the government bond markets were generally lacklustre ahead of the Ascension Day holiday.

German government bonds opened weaker, following the fall in US Treasury bonds overnight, and traded in a narrow range with the Liffe bund futures contract moving between 87.65 and 87.76. The contract closed at 87.70, slightly lower on the day.

Traders said the release of cost-of-living data for Bavaria had little impact on the bund market. The month-on-month rise was 0.3 per cent, with a 4.5 per cent rise year-on-year. Inflation for Germany as a whole is expected to be around 4.5 per cent for May.

■ The UK government bond market ended the day slightly higher, but continued to make rather heavy weather of the latest gilt tranche issued by the Bank of England.

Dealers reported little interest in the £800m tranche of 9 per cent Conversion stock due 2000. "The market is suffering from indigestion just now, following the large amount of issuance since the election," warned one trader.

The Liffe futures contract traded in a range of 99.14-99.24, and ended the day at 99.19.

■ Japanese government bonds fell yesterday prompted by a drop in the Tokyo stock market, the overnight fall in US Treasury bond prices, higher crude oil prices and the supply of new 10-year bonds at yesterday's auction.

The yield on the benchmark No 129 opened at 5.565 per cent, and ended the day at 5.585 per cent after trading in a range of 5.56-5.59 per cent.

The finance ministry held its auction of 10-year bonds as expected, and announced a coupon of 5.5 per cent – which is lower than the 5.7 per cent coupon seen on the May issue.

The ministry sold Y472.74bn (or 60 per cent of the total Y800bn issue) at an average price of 99.53 to yield 5.573 per cent. The lowest accepted bid at the auction was 99.40, yielding 5.694 per cent. The rest of the issue was placed with the members of the underwriting syndicate.

Traders said the fall in the stock market contributed to the generally bearish sentiment, as the Nikkei average index ended down 382.08 points at 17,822.58 yesterday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	105.4657	-0.620	9.17	9.10	9.67
BELGIUM		9.000	06/01	101.1000	-0.200	8.81	8.79	8.84
CANADA *		8.500	04/02	100.1800	-0.050	8.46	8.60	8.70
DENMARK		9.000	11/00	101.3000	+0.180	8.75	8.78	8.79
FRANCE	BTAN	8.500	03/97	99.0103	-	8.74	8.70	8.81
	OAT	8.500	11/02	99.6800	+0.050	8.55	8.49	8.72
GERMANY		8.000	01/02	100.2800	-0.050	7.95	7.92	7.96
ITALY		12.000	02/02	98.4700	-0.130	12.64†	12.53	12.70
JAPAN	No 119	4.800	06/99	94.9200	-0.130	5.61	5.68	5.60
	No 129	5.400	03/00	104.3777	-0.172	5.60	5.46	5.67
NETHERLANDS		8.250	02/02	99.5400	-0.110	8.30	8.30	8.31
SPAIN		11.300	01/02	102.2500	+0.030	10.88	10.80	10.85
UK GILTS		10.000	11/96	103-05	+1/32	9.12	9.14	9.35
		9.750	08/02	105-03	+3/32	8.98	8.97	9.17
		9.000	10/08	101-18	+6/32	8.82	8.85	9.01
US TREASURY *		7.500	11/01	100-17	+05/32	7.42	7.39	7.42
		8.000	11/21	101-03	+04/32	7.90	7.86	7.92
ECU (French Govt)		8.500	03/02	99.200	+0.080	8.62	8.57	8.73

London closing, *New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Gilts inch towards a yield spread link with bunds

By Simon London

LOWER bond yields are a notable feature of the UK financial markets since sterling entered the European exchange rate mechanism in October 1990.

Since the UK currency was pegged to the D-Mark at a central rate of DM2.95, government bond yields have fallen from around 11.5 per cent to under 9 per cent at the 10-year maturity.

However, ERM membership has also led to subtle changes in the behaviour of the gilts market participants.

Investors increasingly watch the relationship between gilts and other European government bond markets, rather than just the absolute level of gilts yields.

The most important relationship is the relative yield of 10-year gilts and German government bunds – the yield spread between the two markets.

Direct comparison is complicated by the fact that gilts carry semi-annual interest payments, whereas bunds pay annually. Hence gilt yields must be annualised to give an accurate measure.

On this adjusted basis, the yield spread last week narrowed to around 1.2 per cent, the lowest for many years – probably since the 1960s.

The narrowing of the gilt-bund yield spread since the end of 1990 is an established trend.

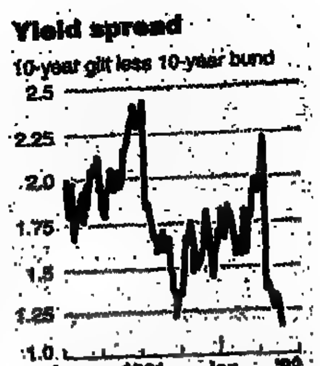
By the autumn of last year, the spread had narrowed to 1.25 per cent, from more than 2 per cent at the point of ERM entry.

In the run-up to the UK general election on April 9 the yield spread ballooned to 2.25 per cent, but has since resumed the trend towards narrowing.

Now analysts are asking whether the yield spread can narrow below the psychologically important level of 1 per cent and, if so, when.

Among the more bullish firms, Crédit Lyonnais forecast that the gilt-bund yield spread could breach the 1 per cent level in the next month.

Yield spread



In contrast, UBS Phillips & Drew predicted a spread around the current level of 1.2 per cent by the year end.

However, most analysts agree that the spread should be established between 0.75 per cent and 1 per cent sometime during the next year.

If a tighter, less volatile yield spread is established, gilts prices will be tied more closely to the performance of the bund market.

Other ERM markets have already passed through this process. For example, following a rapid fall in bond yields during 1990, 10-year French government bonds now trade firmly within a 0.50 to 0.75 per cent yield spread over bunds.

If German bund yields rise, French bond yields tend to follow.

Once the market is convinced a spread has been established, it tends to be self-supporting. Investors and dealers trade yield spreads; for example, buying French bonds if the yield spread with Germany widens beyond the established range.

This does not mean domestic economic fundamentals are ignored. Economic shocks or political uncertainty can still send French bond prices lower, regardless of events in Germany.

But the belief of investors in the established yield spread tends to moderate wild, unilateral swings in bond prices.

Mexico eases laws on foreign investment

By Damian Fraser in Mexico City

THE Mexican Congress has approved changes to make it significantly easier for foreigners to invest in the country's newly privatised banks.

The government will allow foreigners to buy specially created "L" shares with limited voting rights. These can be worth up to 30 per cent of total voting capital, and if the maximum number is issued, 23.1 per cent of total capital.

Foreigners have been able to buy "C" shares, limited to 30 per cent of voting capital, and, through neutral trusts "B" shares, limited to 19 per cent of voting capital. Foreigners could in theory own equity (with limited voting rights) equivalent to 79 per cent of total voting capital, or 60 per cent of total capital.

The legal changes are expected to help Mexican banks planning international equity offerings.

Strong support for French franc sector from investors

By Simon London

UNDERWRITING firms were unable to resist bringing new Eurobond issues in Canadian dollars and French francs yesterday, despite sluggish market conditions ahead of a public holiday in most of continental Europe today.

INTERNATIONAL BONDS

BP America, the US subsidiary of the UK oil group, launched a C$150m 10-year deal, lead managed by Credit Suisse First Boston. The 9⅜ per cent bonds were re-offered to investors at a fixed price of par, where the yield was 80 basis points more than Canadian government paper.

The yield was seen as tight by participants in the deal. A syndicate official noted BP has a Canadian dollar issue maturing in 1999 which trades at a yield spread of 110 basis points over government paper.

In addition, BP's Aa3 credit rating from Moody's, the US credit rating agency, is under review for possible downgrade. This may discourage some institutional investors from buying the bonds.

Against this, the lead manager said retail buyers would step in to take paper issued by a well-known and well-liked borrower. The bonds were held at the fixed reoffer price throughout the day.

The French franc sector continues to find strong support from international investors. French bonds yield around 60 basis points more than D-Mark paper, with little or no additional risk since the currencies are linked within the European exchange rate mechanism.

Yesterday, Crédit Commercial de France, the state-backed financial institution, launched a FFr1.5bn eight-year issue lead managed by its own capital markets division.

The 9 per cent bonds were re-offered at 99.34, where the yield was 58 basis points more than French government paper of the same maturity. This was seen as fair value by participants in the deal and the strong underlying tone of the market ensured smooth placement.

Elsewhere, Banco di Roma launched a $200m five-year floating-rate note issue, lead managed by Sanwa International. The paper pays 25 basis points above the London interbank offered rate, seen as reasonable by firms participating in the deal.

The issue is the latest in a spate of dollar FRN issues following months – perhaps years – of inactivity. Recent borrowers include Banesto, SBAB, Sumitomo Bank and City of Stockholm.

Bankers said investors were now attracted into floating-rate paper as a hedge against US interest rates, which may have bottomed out at medium to long-dated maturities. Meanwhile, financial institutions prefer to take this form of funding as a natural match for floating-rate assets.

● Warburg Soditic, the lead manager, has declared due for immediate repayment two Swiss franc bond issues by Mountleigh, the UK property developer which went into receivership on Monday.

A SFr100m straight bond maturing in June and a SFr125m convertible issue due 1997 were called yesterday. Another SFr150m straight bond issue was already due for redemption yesterday.

The firm has cancelled a bondholders meeting scheduled for June 10, at which the financial condition of Mountleigh was to be discussed. Bond holders will have to wait for receivers to liquidate Mountleigh's assets before any repayments will be made.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Banco di Roma(b)‡†	200	(b)	100.15	1997	25/15bp	Sanwa Intl.
ECUs						
Kommuninvest(c)†	90	9.625	101.41	1996	1.375/1.15	Natwest Cap.Mkts.
CANADIAN DOLLARS						
BP America Inc.(a)†	150	9⅜	101.50	2002	2/1.5	CSFB
FRENCH FRANCS						
Credit Comm.de France(a)†	1.5bn	9	100.99	2000	2/1.75	Credit Comm.de France

★Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable on interest pay dates July 1995 and 1996 at par. Coupon pays 25bp over 6-month Libor rate. c) Amount increased from Ecu60m. Non-callable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on May 27

	Issued	Bid	Offer	Chg. day	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					
Tokyo Metropolis 8 1/4 96	200	104⅛	104⅝	-	7.05
World Bank 8 3/8 99	1500	105⅝	105⅞	-⅛	7.50
World Bank 8 3/4 97	1500	107⅛	107⅜	-⅛	6.96
Xerox Corpn 8 3/8 96	100	102½	103½	+⅛	7.66
DEUTSCHE MARK STRAIGHTS					
ABN Amro 8 1/2 96	500	99⅞	100⅛	-⅛	8.55
Austria 6 3/4 99	750	92	92½		[illegible]
BNP 8 1/4 01	200	100¼	100¾		8.20
Deutsche Finance 7 1/2 95	1000	96⅝	97		8.89
EIB 5 3/4 98	400	89½	89¾	+⅛	8.07
EIB 6 1/4 99	600	90½	90¾	-⅛	8.17
Eurofima 8 3/4 96	400	101	101½		8.44
First Interstate 5 3/4 96	100	86	86	-1	10.24
Ind Bk Japan Fin 5 5/8 96	200	89¾	89¾	-⅛	8.87
Inter Amer Dev 9 00	300	104⅛	104⅜	-⅛	8.27
Ireland 6 1/2 99	300	90¼	90⅝	-⅛	8.44
Lufthansa Int Fin 5 7/8 98	500	89¼	89¾	-⅛	8.27
Nat Bk Hungary 10 3/4 98	500	100⅝	100⅞		10.64
Quebec Hydro 8 5/8 01	600	100¼	101¼	+⅛	8.50
Sweden 6 1/8 98	300	91⅝	91⅞	+⅛	7.98
Turkey 10 3/4 96	500	100½	100⅞		10.56
World Bank 0 15	2000	19⅛	[illegible]	-⅛	7.13
World Bank 5 3/4 96	300	91⅝	92¼	-⅛	8.36
World Bank 8 3/4 00	1250	103	103½		8.21
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	88½	89		7.13
Austria 4 5/8 98	100	90	90½		6.79
Chubu Elec Power 6 3/4 01	300	97¼	98¼		7.14
Council Europe 4 3/4 98	250	88¾	89¼	+⅛	7.21
EEC 5 1/2 00	100	89	90½	-⅛	7.22
EIB 6 1/2 98	800	99	99½	-⅛	6.70
Elec de France 7 1/4 06	100	100¼	101⅛	-⅛	7.16
Finland 5 3/8 95	150	94½	95		7.23
General Motors 7 1/2 95	100	99¾	100¾	-¼	7.59
Japan Dev Bk 5 1/2 94	100	95½	96½		8.42
Kobe 6 3/8 01	240	96	98		6.98
New Zealand 4 7/8 99	200	87¼	88¼		7.24
Quebec Hydro 5 08	100	75	76		7.80
[illegible]					
YEN STRAIGHTS					
[illegible]					
OTHER STRAIGHTS					
[illegible]					
Cepme 10 95 FFr	2000	102⅝	102⅞		[illegible]
Elf-Aquitaine 9 99 FFr	600	101¼	101¾	-⅛	8.75
Euratom 7 5/8 98 FFr	500	92⅝	93⅛	-⅛	9.23

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
Alliance & Leics 0 08 94 £	300	99.66	99.77	10.6425
Banco Roma 0.03 01	200	92.93	94.07	4.4050
Belgium 1/16 97 DM	500	99.94	100.05	9.6875
BFCE -0.02 96	350	100.01	100.11	3.9175
BNP 05	300	98.26	98.81	5.2500
Britannia 1/10 96 £	150	99.16	99.34	10.6625
CCCE 06 ECU	200	99.90	100.01	9.8594
Citizens Fed 0.15 96	100	99.46	99.82	5.0000
Credit Foncier -1/16 98	200	100.30	100.41	5.0000
Denmark -1/8 96	1000	99.69	99.79	4.1875
Dresdner Finance 1/32 98 DM	1000	100.01	100.10	9.5938
Elec de France 1/8 99	400	101.37	101.94	5.2500
Ferro del Stat 94	200	100.69	100.98	4.4375
Halifax 1/10 94 £	200	99.92	100.01	10.2250
Ireland 98	300	99.55	99.71	4.4600
Italy 00	500	100.55	100.82	4.5000
Leeds Permanent 1/8 96 £	200	99.53	99.69	10.9375
Lloyds Bank 1/10 Perp S.3	600	77.50	79.30	4.5375
Mitsui Fin Asia 1/8 96	100	99.96	100.06	5.2500
Nat West Fin 3/16 05	400	92.55	93.55	4.3750
New Zealand 1/8 96	250	100.24	100.34	4.8130
Renfe 98	500	99.99	100.11	3.8750
Societe Generale 96	300	99.68	99.80	4.5625
State Bk Victoria 0 05 99	125	98.71	98.94	4.3625
United Kingdom -1/8 96	4000	100.00	100.04	4.0625
Yorkshire BS 1/10 94 £	165	99.70	99.79	10.1938

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
Burton Group 4 3/4 01 £	110	2.39	132	133¼	+31.41
Chubb Capital 6 98	250	86	102¼	103¼	+29.22
Eastman Kodak 6 3/8 01	300	50.67	101¼	102¼	+50.21
[illegible]					+19.14
[illegible]					+26.38
[illegible]					+28.09
[illegible]					+7.81
[illegible]					+63.82
[illegible]					+36.46
[illegible]					+39.61
[illegible]					+46.97
[illegible]					+6.07

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	16	42
Other Fixed Interest	5	0	12
Commercial, Industrial	189	356	902
Financial & Property	73	166	559
Oil & Gas	30	10	46
Plantations	1	0	8
Mines	42	15	88
Others	39	35	54
Totals	402	598	1,711

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	425	376	Bodycote Intl. (RFD)	425		8.75	3.0	2.7	15.6
-	F.P.	-	288	[illegible]	Brazilian Inv Tst Units	288		-	-	-	-
-	F.P.	-	4	3	Brent Walker Wts to Sub	4		-	-	-	-
†	F.P.	-	109	96	Capital Industries 1p	104		2.0	4.9	2.6	10.7
-	F.P.	-	106	103	Grosvenor Inns	103		N4.0	-	[illegible]	-
75	F.P.	-	90	[illegible]	◆Hughes (TJ)	88		W2.25	2.2	[illegible]	18.1
£10¼	F.P.	-	£12⅛	£10½	Latin Am Inc & Appr. 1c	£10¼		-	-	-	-
-	F.P.	-	41	34½	M & G Recovery Inc.	41		F3.75	-	[illegible]	-
-	F.P.	-	25	12¼	Do. Capital	25		-	-	-	-
-	F.P.	-	64½	46½	Do. Geared Units	64		F3.75	-	7.8	-
-	F.P.	-	122	96	Do. Package Units	122		F3.75	-	4.1	-
-	F.P.	-	11	¼	Multitrust Warrants	11		-	-	-	-
-	F.P.	-	6¼	4	Plattignum A	6¼		-	-	-	-
115	F.P.	-	146	121	Rosebys	145		L4.3	1.7	4.0	16.7
100	F.P.	-	106	98	Templeton Emrg. Mkts. C.	104		-	-	-	-
-	F.P.	-	26	[illegible]	Weloac (RFD)	26		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
-	F.P.	-	15p	8p	Brent Walker Var Rte 2nd Prf '00/07	13p	
-	F.P.	-	12p	7p	Do. 8½pc 3rd Non-Cum Cnv Prf 2007/10	7p	
100p	F.P.	-	103⅞p	102½p	Commercial Union 8¾pc Cm Irrd Pf	103p	+½p
-	F.P.	-	59¼p	48½p	M & G Recovery Zero Div Prf 1p	59p	-¼p

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
285	Nil	9/6	77pm	71pm	Concentric	76pm	-1
95	Nil	12/6	20pm	5pm	Ingham	5pm	-3
280	Nil	3/7	97pm	90pm	Lamont	93pm	
70	Nil	23/6	15pm	14pm	Martin (Albert)	15pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¶ Reintroduction. ◆ Unlisted securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings May 18
● Last Dealings June 5
● Last Declarations Aug. 20
● For settlement Sept. 1

3-month call rate indications are also shown on this page.

Calls in ASDA, Crown Comms., Cupid, Expln. Co. Louisiana, Ferranti, Gestetner, Greycoat, Ingham, J.S. Pathology, Lasmo, Speyhawk Pref. and Turnbull Scott. Puts and calls in Argyll Group, Ferranti and GRE.

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*660)	600	62	79	90	6	15	20
	650	25	48	60	22	34	39
	700	8	28	38	62	67	70
ASDA (*33)	30	5	7½	10	2½	4	5
	35	3	6	7½	3	6½	7½
	40	1	4	5	8½	10½	11
Brit. Airways (*300)	280	22	35	42	8	13	18
	300	11	23	31	18	23	27
	330	3	14	20	36	42	45
SmKl Beecham A (*887)	850	66	94	115	15	30	37
	900	37	63	85	36	52	59
	950	15	43	63	70	80	87
Boots (*480)	460	26	44	48	11	15	18
	500	8	21	28	33	37	38
B.P. (*274)	260	22	28	32	4½	8	10
	280	9½	17	21	12½	18	19
British Steel (*82)	80	6½	9½	12	4	5½	9
	90	2	5	6½	10	11	14
Bass (*637)	600	45	65	75	7	15	20
	650	16	35	43	31	36	43
C & Wire (*587)	550	45	63	73	10	17	22
	600	17	36	46	34	41	45
Courtaulds (*571)	550	35	54	65	13	21	27
	600	11	29	40	42	47	55
Com. Union (*497)	460	49	56	67	4	11	14
	500	20	30	43	15	27	30
Fisons (*355)	330	37	51	57	6½	13	18
	360	18	33	41	18	26	31
GKN (*430)	420	27	38	48	13½	20	22
	460	7	19	30	34	40	43
Grand Met. (*499)	475	37	50	-	6	14	-
	500	21	34	46	15	25	30
I.C.I. (*1347)	1300	85	110	148	17	41	49
	1350	52	82	118	33	64	71
Kingfisher (*573)	550	41	60	78	11	18	25
	600	15	35	50	35	40	46
Ladbroke (*245)	240	15	24	28	8	14	17
	260	6½	15	19	20	26	29
Land Secur (*443)	420	25	33	37	10	14	17
	460	5	14	18	39	39	41
M & S (*344)	330	20	30	40	7	11	14
	360	6	17	24	[illegible]	28	29
Sainsbury (*456)	420	35	48	57	4	9	12
	460	11	25	35	18	26	38
Shell Trans. (*525)	500	38	48	57	4½	12	14
	550	9	19	28	29	37	38
Storehouse (*137)	130	12	18	21	5	8	8½
	140	7	13	16	11	13	13
Trafalgar (*138)	130	17	25	27	6	11	15
	140	11	20	22	11	16	19
Utd. Biscuits (*404)	390	26	37	53	6	12	15
	420	10	21	28	20	27	30
Unilever (*907)	900	39	67	80	16	28	33
	950	16	35	55	47	55	60

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*350)	330	23	39	45	½	9½	20
	360	2	23	28	13	25	35
	384	½	-	-	37	-	-
BAA (*642)	600	45	60	77	1	12	16
	650	1½	24	45	10	32	39
	700	½	10	25	60	65	70
BAT Inds (*783)	700	86	102	109	1	6	12
	750	36	60	75	1	17	26
	800	1	30	46	19	40	52
BTR (*484)	460	24	41	46	½	7	15
	500	1½	17	24	18	23	33
Brit. Telecom (*359)	360	2	15	25	3	17	21
	390	1	5½	11	32	39	41
Cadbury Sch (*475)	460	17	36	49	1	12	19
	500	1	17	28	27	34	39
Eastern Elec (*277)	270	10	-	-	1	-	-
	300	1	5	11	24	35	37
Guinness (*575)	550	28	49	68	1	12	17
	600	1	22	36	27	35	41
GEC (*223)	220	3½	11	15	1	10	12½
	240	1	3½	8	18	25	26
Hanson (*227)	220	8	15	19½	½	6	9½
	240	½	5	10	13½	17	21
LASMO (*212)	200	14	27	40	1	14	17
	220	1	20	29	9	22	30
Lucas Inds (*146)	140	11	15	21	1	5½	11
	160	1	5	11	14	17	22
P. & O. (*528)	519	15	-	-	1	-	-
	550	1½	25	34	25	34	49
Pilkington (*157)	140	18	18	25	1	6	8
	160	1	8	14	4	15	18
Prudential (*254)	240	16	25	30	1	5½	10
	260	1	13	19	7	14	18
R.T.Z. (*636)	600	40	60	74	1½	10	20
	650	½	30	45	17	31	42
Scot. & New (*451)	420	30	45	50	1	8	14
	460	1	15	27	13	29	32
Tesco (*262)	260	3	16	23	5	10	12
	280	1	7	12	21	21	24
Thames Water (*438)	420	19	25	37	½	13	16
	460	1	8½	18	23	40	40
Vodafone (*394)	390	7	24	38	2	17	22
	420	1	12	24	27	36	39

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Abbey Nat. (*304)	280	29	35	43	½	5½	8
	300	13	23	31	6	13	15
	330	3	8	16	28	30	32
Amstrad (*42)	35	10	12½	14	1½	3	5
	40	6	9½	11	3	5	7
	45	3	7	9	5	8	10
Barclays (*374)	360	21	28	39	5	13	18
	390	5½	13	24	21	32	34
	420	1½	5½	13	49	55	56
Blue Circle (*257)	240	23	31	37	2½	8	11
	260	8½	19	26	10	16	21
	280	3	11	17	25	29	32
British Gas (*263)	260	9½	18½	23	4½	9	13½
	280	2½	9	13½	18	20	24
Dixons (*280)	280	12	21	31	11	19	22
	300	4½	12	22	24	31	35
Eurotunnel (*360)	360	19	37	53	15	25	34
	390	6	25	39	37	45	52
Glaxo (*751)	750	31	60	84	26	50	62
	800	12	38	60	58	78	90
Hillsdown (*173)	160	17	23	28	2	5	8
	180	4½	12	16	10	14	17
Lonrho (*94)	90	9	14	19	3	7½	11
	100	4	9	14	8½	10	16
Midland Bk (*408)	390	25	40	50	6	15	21
	420	9	22	32	20	29	37
National Power (*231)	215	20	24	-	2	6	-
	235	6	10½	-	7½	15	-
Reuters (*1180)	1150	62	103	130	23	47	65
	1200	33	74	113	47	72	87
R. Royce (*165)	160	25	29	30	1	3½	4
	170	16	20½	22	2	6	7½
Scottish Power (*183)	180	8	14	16	4	10½	12
	190	3½	9	11	9	16	17
Sears (*92)	90	6	11	13	3	5½	7
	100	2	6½	8	11	12	14
Forte (*237)	220	21	28	32	2	5½	8½
	240	6½	15	20	8	13	16
Thorn EMI (*845)	819	38	48	-	7	30	-
	850	20	30	44	17	48	52
TSB (*142)	140	7	11	15	4	7½	8½
	160	1½	3½	6½	19	21	22
Vaal Reefs (*$53)	50	5½	7	9½	2	3½	4½
	60	1½	3½	4½	8	10	11
Wellcome (*987)	950	59	98	129	18	[illegible]	62
	1000	34	72	102	40	65	83

EURO FT-SE INDEX (*2697)

	2525	2575	2625	2675	2725	2775	2825	2875
CALLS								
May	169	119	69	24	2	½	½	½
Jun	185	136	91	53	24	8	3	1½
Jul	200	-	113	-	50	-	12	-
Sep	235	-	155	-	93	-	48	-
Dec	288	-	215	-	154	-	105	-
Mar	330	-	260	-	200	-	150	-
PUTS								
May	½	½	1	3	36	85	135	171
Jun	3	5	10	22	45	79	123	171
Jul	7	-	21	-	55	-	122	-
Sep	20	-	40	-	74	-	125	-
Dec	35	-	60	-	90	-	125	-
Mar	48	-	75	-	100	-	140	-

FT-SE INDEX (*2697)

	2550	2600	2650	2700	2750	2800	2850	2900
CALLS								
May	147	97½	47½	8	1	1	½	-
Jun	161	114	71	36	14	5	1½	1
Jul	178	134	93	61	35	17	8	3
Aug	197	155	117	83	56	36	22	13
Dec †	-	238	-	170	-	110	-	68
PUTS								
May	½	½	1½	14	60	110	160	-
Jun	3	6	14	31	63	112	162	212
Jul	9	16	25	43	72	114	162	212
Aug	16	25	35	55	82	118	163	213
Dec †	-	58	-	90	-	150	-	220

May 27 Total Contracts 37,421
Calls 25,461 Puts 11,960
FT-SE Index Calls 3,118 Puts 4,384
Euro FT-SE Calls 664 Puts 1,050
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	40	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	46
Brit Aerospace	26	Grand Met	38	RHM	16	Brit Land	16		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
Brit Telecom	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

هكذا من الأصل

COMPANY NEWS: UK

A badly-timed deal in an evolving marketplace

John Thornhill looks at the problems facing Isosceles as it plans a reflotation of the Gateway chain

ON A table in the middle of the Isosceles boardroom stands a handsome gold clock commemorating a bond issue launched by the previous owners of the Gateway supermarket chain. The clock was presented to the company by a finance house which earned fee income from the issue. It is running two hours late.

Although it marks a past event in Gateway's corporate history, the clock is highly symbolic of its current fate: first, because it emphasises the company's dependence on its bankers; and second, because it suggests that Gateway's current owners have got their timing badly wrong.

When the Isosceles investment company bought Gateway in the summer of 1989 in a highly-leveraged £2.1bn deal, the biggest of its kind in UK corporate history, high hopes were held out that the company could be stripped down and spruced up and returned to the market within three to five years. Peripheral assets would be sold, the core strengths of the business would be revealed and a generous return would be generated for the backers of the controversial deal.

Three years on, the picture looks very different. Still weighed down by £1.3bn of debt, with its trading position deteriorating daily, Isosceles is beginning to face up to the realities of an agonising dilemma: how it can possibly return the company to the market without just crystallising substantial losses for its investors?

Such thoughts will dominate the minds of both the company and its bankers this summer as they sit down to review the results of Gateway's financial year, which has just ended, and its development programme, which has just begun.

The talks are likely to be tense. City analysts suggest Gateway has performed poorly over the past year as a result of a further loss of market share to its voracious rivals, such as J Sainsbury, Tesco and Safeway.

The company's cash flow is believed to be lower than budgeted and some of its banking covenants may well be breached. A £100m bond is repayable in April next year.

Further complications may arise when Ernst & Young, Isosceles' auditors, go through the books in detail. Industry observers suggest the auditors may legitimately raise questions about the carrying values of some of the company's properties. An asset write-down may well result.

Yet in spite of these weighty concerns, Mr Alistair Mitchell-Innes, Isosceles' chief executive, betrays few signs of nervousness. Relaxed and reassuring, he brushes aside the doubts in the manner of a polished diplomat dismissing some local trouble in a far-away country.

Although he only became chief executive last September, he accepts that Isosceles' original time-table has been disrupted. Isosceles was able to dispose of 60 superstores to Asda for £705m soon after the completion of the acquisition but other assets have been far harder to sell.

"The market for assets collapsed fairly soon after the acquisition and they were unable to pay down debt as quickly as they would have liked," he says, although he adds that Isosceles is still planning to return Gateway to the market within the next 18 months to two years.

He suggests, however, that Isosceles' cash constraints – and next year's bond repayment – will be eased by the end of the calendar year through the sale of Herman's, its US sporting goods subsidiary, and the flotation of Wellworths, its highly profitable Irish grocery chain.

The problem with this scenario is that Herman's has been on the market for a long time to no avail. Industry gossip has it that Isosceles turned down a £200m offer for Herman's soon after the acquisition and would now be lucky to receive £80m.

Wellworths may be sold to a trade buyer before flotation for about £150m, although one interested party, Fitzwilton, the Irish investment group, is believed to have dropped out of the running in recent weeks.

Tony Andrews

Alistair Mitchell-Innes: cautiously optimistic on flotation

However, although these sales may help tide Isosceles over in the short term they will not solve its acute strategic challenge of how to create a profitable growth business out of its 635 high street stores.

Mr Mitchell-Innes accepts Isosceles must have a plausible story to tell before it can hope to return to the market. "In my view a flotation would only be sensible when we have enough evidence and enough stores to show that we have a serious retail proposition which is profitable," he says.

He argues that Gateway has already achieved a great deal in improving the profitability of the core business. Costs have been cut, 1,000 jobs have been taken out of Gateway's head office and eight distribution centres have been closed.

"People say that all the easy things have been done although they are not so easy when you have to do them."

But Mr Mitchell-Innes is pinning the company's hopes for growth on the launch of new retail formats. Gateway has already launched an 18-outlet chain of discount superstores under the banner of Food Giant, utilising the underperforming space of its remaining superstores. And it is rapidly converting other stores – currently 25, but up to 150 within the next three years – to the Somerfield format, an attractive high street chain emphasising fresh foods.

Next month, Gateway will also experiment with other formats and will launch four convenience stores, four discount stores based on a recent "red spot" price experiment, and four traditional town centre supermarkets.

Some of the names of the regional supermarket chains which were absorbed by Gateway in its acquisitive days of the 1980s – such as Fine Fare, International and David Greig – may be re-launched to address different segments of the food market.

"The expression used is that we are a disparate not a desperate group", says Mr Mitchell-Innes. "I see a lot of strengths in our positioning. The grocery trade has deserted the high street. Not everybody can shop or wants to shop at superstores."

While praising the ingenuity of Isosceles' trading experiments, many analysts doubt the long-term sustainability of these formats. They suggest that although refits often lead to a short-term boost in profitability they rarely reverse long-term trends in a store's trading patterns.

Gateway's expansion will also crucially depend on its capital expenditure budget and this too is under pressure. Mr Mitchell-Innes says Isosceles invested about £100m last year although much of that was used to satisfy basic infrastructure needs to comply with the needs of the Food Safety Act.

Analysts estimate Gateway only spent £30m on expanding the business – about the same as Tesco spends on one of its biggest superstores.

Mr Mitchell-Innes hopes he will be able to increase the company's capital budget in the future – although he will first have to persuade the bankers that cash is better used in reinvesting in the business than paying down debt early. In the meantime, Tesco alone will have built 100 more stores by 1996.

Isosceles plans to announce its annual results in the first week of July – although they may be delayed by any refinancing talks – and investors will naturally be keen to hear an update of the flotation plans.

At present, many prominent investment institutions are feeling embarrassed at their exposure to Isosceles and are staring at uncomfortable high write-downs on their equity investments. Mercury Asset Management said it had written down its investment in Isosceles by between £1m and £3.5m at March 31, its last financial year end. It refused to specify the exact amount, or the size of its stake.

Mr Mitchell-Innes is still cautiously optimistic about the prospects for a flotation. "Anybody who says that they are absolutely fully confident would be a fool. I do not know what the market will be like over the next 18 months to two years. But I actually believe that the formula that we have now is a very good one that will give us the opportunity to find a way to an exit," he says.

However, it is increasingly difficult to take issue with the assessment of one leading rival retailer who argues that the Gateway acquisition was founded on a fatal misapprehension, compounded by the high price they were forced to pay as a result of a bidding war.

He argues that the main architects of the deal, Mr David Smith and Ms Elizabeth Hignell (who were later forced out of the company with a shared £1.8m pay-off) constructed complex cash flow models showing that Isosceles could generate a healthy return on its investment.

But in his view, they failed to understand the commercial dynamics of the UK market and made their investment calculations on the evidence of the relatively mature US market where food retailers' future cash flow and earnings could be predicted with a high degree of accuracy.

"Isosceles completely misread the UK food market. The market here is still evolving. The ownership of a store does not give you a strong defensive position because other people are opening stores and continually eroding your position," he says.

"But it is the naivety of the City and financial institutions that is really staggering. Financial men can always talk to the City with greater potency than retailers. Fund managers – and journalists – were simply wowed by a compelling story."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- ABI Leisure, Archer (A.J), Greyfriars Inv, MEPC, M&G Group, Scottish Inv Trust, Smart (J).

Finals- Babcock, Castle Mill, City of London PR, Clarke Nicholls & Coombs, European Colour, Expedier, Macdonald Martin Distilleries, North West Water, PCT, Rolfe & Nolan, Scottish Power, TDS Circuits, Thorn EMI.

FUTURE DATES

Interims-	
Carr's Milling	June 5
Dakota	May 29
Devenish (JA)	June 2
Electronic Data Process'ng	June 8
Gestetner	June 17
United Drug	June 9
Finals-	
Henderson Administration	June 8
Hicking Pentecost	June 1
Jones & Shipman	July 1
Jurys Hotel	July 9
Mid Southern Water	June 8
PowerGen	June 9

Forced to swallow a slimming diet

Nikki Tait reports on the mixed fortunes of Wasserstein Perella

THE SIGHT of bid specialists eeking out a meagre diet of deals is commonplace these days. But few investment banking firms can have feasted so well and then fared so poorly as Wasserstein Perella.

Three years ago, this was the epitome of Wall Street "chutzpah". The business was formed in 1988 by Bruce Wasserstein and Joseph Perella, a couple of investment banking "stars", who walked out of First Boston and set up shop on their own. A team of fellow-defectors followed – more than 20 in all – and the fledgling company quickly added top-level talent from other Wall Street houses and law firms.

Within months, "Wasserella" seemed to have a role in most of the mega-deals of the late-80s. These included Time's $13.4bn bid for Warner Communications; Al Checchi's $3.6bn offer for Northwest Airlines; Philip Morris's $13bn acquisition of Kraft; and the $25bn bid by Kolhberg, Kravis Roberts for RJR Nabisco.

On the cross-border front, the firm was used by the likes of Martin Sorrell at WPP in his pursuit of the US-based Ogilvy Group.

Wasserella itself went overseas in the hotly-contested battle for control of Gateway in 1989. It stepped in, where KKR seemingly feared to tread, and subsequently invested a third of its $1.1bn buy-out fund in subscribing for a 40 per cent share of Isosceles' equity.

In 1989, its first full year, Wasserella ranked third in the league table of bid advisers – outclassing Wall Street stalwarts such as Merrill Lynch and Salomon Brothers. Partners airily complained if journalists described the business as a "boutique".

Today, the picture couldn't be more different. Wasserella's profile has dipped so low that computer searches show the firm featuring in only four big US newspaper headlines since the start of 1991. According to Securities Data, its ranking in the M&A league tables slipped to eighth place in 1990, 12th place last year, and then 15th in the first quarter of 1992.

In New York, the firm defends this drop in the rankings by saying that it is the contrast that looks so marked. "We almost seem to have to apologise for having done three big deals in 1989," says Mr Mike Biondi, a partner at WP.

Moreover, with the US bid scene moribund, it is impossible to tell whether large clients such as Philip Morris would employ the firm in the future. What can be said with certainty is that some of Wasserella's least successful deals have attracted far more publicity than those which "worked".

Joseph Perella (left) and Bruce Wasserstein: defending the firm's drop in the ratings

In the UK, the tribulations at WPP and Isosceles have easily overshadowed the SmithKline Beecham merger. In the US, Northwest and Time Warner get more attention than Philip Morris/Kraft.

But the story doesn't quite end there. Even by the late-80s, the media was speculating that Wasserella's desire to earn success-related fees caused it to push deals too hard and overstep the "best practice" mark.

A severe admonishment was handed down by the Delaware Supreme Court, which accused Bruce Wasserstein of weighting the auction for Macmillan, which he was defending, in favour a KKR-led buy-out.

Wasserstein's manipulation of journalists was then given some play in "Barbarians at the Gate", the best-selling book about the RJR Nabisco takeover. And, in the course of the Gateway battle, Wasserella managed to breach UK bid ethics – giving the impression that it would not accept the rival Isosceles offer, before doing just that. It was legally defensible, but a tactless debut.

Perhaps the worst embarrassment flowed at Interco, a St Louis-based company which had wanted to see off some hostile raiders in the late-80s. Wasserstein advised on a $2.8bn "recapitalisation" plan. This involved Interco taking on large debts and paying out a special dividend. It later went into liquidation.

Last year, an independent examiner determined that the "recap" rendered Interco insolvent – in short, fraudulent conveyance. But she spread the blame widely, saying that WP provided services "acceptable by investment banking industry standards", and was hampered by incomplete information from management.

Last month, Wasserella finally put the affair behind it: noting the "unpredictability of jury trials" and admitting no liability, it settled a secondary lawsuit related to the Interco affair for $18.25m (£10.3m).

In fairness, if Wasserella was pushy for clients, it was equally ambitious on its own account. It set up branch offices in London, Frankfurt and Paris, and formed a partnership with Nomura, swapping 20 per cent of its equity for a $100m investment.

Today, the value of this strategy is debatable. A glance at the recent list shows a high proportion of cross-border deals – 27 of the 39 WP transactions listed by Securities Data as completed in 1991 or 1992 had a cross-border element. The biggest US deal was an $805m merger between two California-based companies.

Nevertheless, the international overheads have sometimes been quite high; in the UK, for example, Wasserella spent millions on a property in St James's just before the market slumped. (It did better on its New York offices, where the lease comes up for renewal next year).

The timing of the Nomura deal was unfortunate, given subsequent Japanese retrenchment. And rival advisers might also quibble about WP's precise role in some of the deals listed.

The $1.1bn Wasserstein buy-out fund, meanwhile, is heavily dependent on the Isosceles investment. In terms of funds invested, this accounts for about one third of the total monies raised. Another third is unspent, and the remaining holdings – which range from a stake in the Yardley-Lentheric toiletries business to Wickes – are a mixed bag.

In fairness Wasserella has made efforts to diversify its core business, offsetting the slump in bid work. Total staffing is still put at some 120 professionals, but the number concentrating on mergers and acquisitions work has fallen from about 100 to more like 75. In compensation, trading and underwriting activities have been built up.

Yesterday, the firm continued on this track, announcing the formation of a subsidiary which will advise on mortgage loans and mortgage securities.

And, publicly at least, the firm remains confident that the bid business will offer rewards long-term. "With all the consolidation going on, there's going to be a lot of M&A work," says Mr Biondi, a little defiantly.

Who snares it, when it does return, remains the question.

European Finance & Investment
SPAIN
The Financial Times proposes to publish this survey on June 19 1992.
For a full editorial synopsis and advertisement details, please contact:
Richard Oliver
on tel: Madrid 577 09 09
on fax: Madrid 577 6813
Financial Times (Spain) Ltd
Serrano 58
28001 Madrid
Spain
or
Kirsty Saunders
on tel: 071 873 4823
on fax: 071 873 3428
Financial Times Ltd
Number One, Southwark Bridge
London SE1 9HL
FT SURVEYS

7% rise pushes Carlton over £49m

By Raymond Snoddy

CARLTON Communications, the television production and services group, announced slightly better than expected pre-tax profits of £49.4m for the six months to end-March.

Mr Michael Green, chairman, said the group had "confronted successfully" trading conditions which he described as uncertain and demanding.

Analysts are suggesting full year profits of some £103m. The shares rose 19p to 667p.

Carlton, which takes over the London weekday licence, the largest in the ITV system, from Thames on January 1, produced a a 13 per cent increase in turnover to £324.7m; profit showed a 7 per cent rise over the corresponding £46.3m.

Earnings per share rose by 11 per cent to 16.85p (15.13p), and the interim dividend is increased 10 per cent to 6.7p (6.1p) reflecting Mr Green said, "a cautious reaction to a welcome recovery in our main markets."

Mr Green said the group remained financially strong with net cash of £146m, excluding the indebtedness of Pickwick, the video group acquired in March.

The group also announced yesterday that Sir Derek Birkin, chairman of RTZ, will become a non-executive director from the beginning of June.

Mr Green had long been an admirer of the business skills of Sir Derek, who has in the past attended an occasional Carlton board meeting in an informal capacity and provided background advice on big deals.

Video and audio production and distribution increased pre-tax profits to £20.4m (£12.5m). Growth was expected in the second half as Hollywood studios moved towards announcing their latest "sell-through" videos in advance. That, Carlton said, would help planning at its Technicolor subsidiary.

Profits at video and sound products – the sophisticated editing and recording equipment provided by subsidiaries such as Quantel and Abekas – fell from £9.2m to £8m, but were up on the preceding six months.

Television and film services produced flat profits at £13.7m.

Mr Green said last night he was not over-concerned if Premier League football was shown live on Sky Television next season. ITV would still show quality football.

"We know how to operate in competitive markets. If Sky is showing a London derby match we will not be scheduling Sooty against it," Mr Green said last night.

Restructured Casket surges to over £2m

By Peggy Hollinger

TWO YEARS of restructuring at Casket, the bicycle and clothing supplier, came to an end yesterday with a surge in annual pre-tax profits, from £212,000 to £2.06m, on sales ahead only 2 per cent to £71.9m.

The share price – which has risen from 19p at the beginning of April – was shaved by profit-taking to fall ½p to 31p.

Mr Joe Smith, chief executive, said the group was now looking for a third business to "turnround" in a similar fashion. Any acquisition was likely to be done for paper, he added.

Casket, which struggled to placate shareholders unhappy with deepening losses in 1990, had sold seven loss-making businesses and closed three since the new management team arrived. The group took an £886,000 extraordinary charge in the year to March 31 for the closure of Cleancut Clothiers, its trouser business.

"We are now well placed to take advantage of our much stronger financial and trading positions," Mr Smith said. Net debt had been cut from £7.95m to £5.6m, with gearing of 46 per cent. Interest cover was 2.25 times, Mr Smith said.

During the year, Casket increased its share of the UK cycle market to more than 20 per cent with the purchase and revival of Falcon Cycles. . It had been losing £1m a year when purchased in January.

The cycle division overall increased sales from £19.7m to £30.7m – of which £2.4m came from Falcon – and operating profits by 38 per cent to £2.4m.

Casket increased exports by 70 per cent in the last year – representing some 10 per cent of turnover – with strong demand from continental Europe for its brands, which also include Townsend and British Eagle.

The clothing division held operating profits at £1.3m, on turnover up 15 per cent at £39.5m.

The dividend is raised to 0.5p (0.2p) – with a final of 0.35p – and is 3.8 times covered by earnings of 1.9p (0.4p).

Improved margins help Mid Kent rise to £7.2m

By Angus Foster

MID KENT Holdings, the water supply company whose 250,000 customers have endured a hose pipe ban for more than three years, yesterday announced an effective 16 per cent increase, to £7.2m, in pre-tax profits for the year to March 31.

Turnover increased by some 15 per cent to £29.1m, mainly due to average price increases of 18.7 per cent.

These were based on Mid Kent's K number – the percentage above the rate of inflation prices can be increased – of 9 per cent.

High K numbers were allowed by Ofwat, the industry regulator, to make water companies needing large capital expenditure programmes attractive to investors. Next year Mid Kent's K number will fall to 2.5 per cent.

Mr Bob Atwood, finance director, said operating margins improved from 15 per cent to 21 per cent, reflecting cost improvements.

Net interest receivable fell to £1.15m (£2.38m) due to lower interest rates and a £2m reduction in net cash to £28m.

Earnings were 31.7p. The company is recommending a final dividend of 5p to make a total distribution of 9.5p.

Because of the change in year end, no comparative figures were given, although the dividend is effectively 12 per cent higher.

Dartmoor seeks £8.05m as net asset value falls 25%

By Philip Coggan, Personal Finance Editor

DARTMOOR Investment Trust is raising £8.05m net via a rights issue and placing of debenture stock.

The trust also announced a 25 per cent fall in net assets per share over the year to April 30.

Dartmoor is part of the stable run by Ian Henderson Associates and invests mainly in income shares of split capital trusts. Income shares have been hit in recent months reflecting a belief that corporate dividend growth will be slow in the 1990s.

In the 1-for-5 rights issue, 4m shares are on offer at 122p each with a warrant attached, entitling holders to subscribe for one new share at 118p over the next 10 years. In addition, the company is placing a further £3m nominal of the index-linked debenture at 114¼p.

As of April 30 the net asset value per share was 90.12p, down from 120.45p at end-April 1991. Asset values have increased in May and the rights issue will also have the effect of increasing the value to 97.58p.

A maintained fourth interim dividend of 3.8p makes a total of 11.2p (10.8p) for the year. If the rights issue proceeds, the trust expects to be able to pay dividends of 11.6p in the current year.

Earnings per share were 11.5p (13.65p).

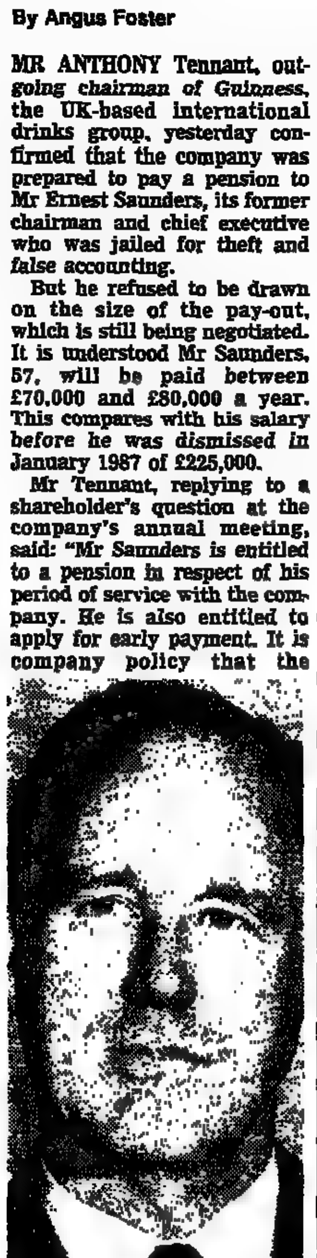
Guinness will pay pension to Saunders

By Angus Foster

MR ANTHONY Tennant, outgoing chairman of Guinness, the UK-based international drinks group, yesterday confirmed that the company was prepared to pay a pension to Mr Ernest Saunders, its former chairman and chief executive who was jailed for theft and false accounting.

But he refused to be drawn on the size of the pay-out, which is still being negotiated. It is understood Mr Saunders, 57, will be paid between £70,000 and £80,000 a year. This compares with his salary before he was dismissed in January 1987 of £225,000.

Mr Tennant, replying to a shareholder's question at the company's annual meeting, said: "Mr Saunders is entitled to a pension in respect of his period of service with the company. He is also entitled to apply for early payment. It is company policy that the details are confidential as far as the company is concerned."



Tony Greener: to take over as chairman next year

Mr Tennant gave a mixed forecast for the current trading year. He repeated cautious comments made with the preliminary results on slower profits growth, but said Latin America and south-east Asia would grow rapidly in the next five to ten years.

The shares fell 18p to 567p as the market seemed to overstate Mr Tennant's caution. They later recovered to 576p.

In Mexico, United Distillers, its spirits arm, had continued the process of acquiring distributors with the purchase of Inter-American Holdings, distributor for the Johnny Walker, Old Parr and Buchanan whisky brands.

Mr Tennant, who was brought in from Grand Metropolitan to restore the group's reputation following the fall of Mr Saunders, is to retire at the end of this year. He will be replaced by Mr Tony Greener.

Yesterday also marked the ending of an era as the Earl of Iveagh, the only remaining member of the Guinness family on the board, retired. It is the first time in the company's 233 year history the family has not been represented.

Dowty claims TI's accounting methods exaggerate earnings

By Richard Gourlay

DOWTY GROUP, the aerospace and specialist engineering company fighting a hostile £494m bid from TI, yesterday launched a sweeping attack on its aggressor's accounting techniques, which it said were at the very boundary of acceptable practice.

Dowty said the accounting treatment exaggerated the true level of the engineering company's earnings per share and the quality of its management and, as a result, gave Dowty shareholders an inaccurate impression of the quality of the shares they are being asked to accept.

In a letter sent yesterday to TI's shareholders, as well as its own, Dowty says that not only was the cash alternative of 175p a share inadequate, but that the value of TI and its future was uncertain.

TI said the letter looked like a smokescreen. "An increasingly desperate Dowty is trying to divert attention away from its own shortcomings and the real issues of the bid," the company said.

TI has dismissed Dowty's claims about its accounting as the raking over of old issues which shareholders have fully understood for some time.

It says Dowty shareholders are being offered a fully underwritten cash alternative and that in any case TI no longer utilises the particular accounting practice which the City roundly criticised in 1989.

Dowty, however, says shareholders may not have fully understood the implications. In its letter, it says TI has "boosted its earnings record effectively by charging costs against reserves". This had helped TI report earnings growth from 29.8p in 1987 to 44.8p in 1991.

Specifically Dowty concentrates on "retrospective" goodwill write-offs, including a £52m provision taken in the 1989 accounts which related to the acquisition of Bundy in the US the previous year.

Dowty says these provisions against the balance sheet led to "low quality earnings" as they related to costs that should have been taken through the profit and loss account.

Dowty then restated what it calls TI's "hard core" earnings in a way it says is consistent with how most other companies report. It concludes that TI actually increased its earnings only from 28p to 30.5p over the past five years, a rise of 8 per cent, rather than the 51 per cent it actually reported.

The scale of TI's provisioning at the time of acquisitions also meant that its assets had hardly grown over the five year period, Dowty said. It was very unusual for an engineering company to have such little asset backing.

In order to continue this deceptive earnings growth TI needed to make another acquisition. Without an acquisition, TI would be left with only £16m of provisions against acquisition costs and would soon be left with no opportunity to take costs against reserves, Dowty says.

The attack on TI's accounting policies marks the beginning of the last 10 days of the bid before it closes on June 10 and an intensive round of presentations to institutional shareholders.

Flextech quits oil with £55m buy-out of Expro

By Peggy Hollinger

FLEXTECH is leaving the oil business which carried it to the USM just nine years ago in favour of children's television.

The company yesterday announced a £55.3m management buy-out of Expro, its Aberdeen-based oil services subsidiary.

Shareholders will get a piece of the action through a complicated deal which allows Flextech to pay £41.6m – amounting to 120p per share – in place of a dividend.

The agreement is structured so shareholders, rather than the company, will pay tax on the sum.

Mr Roger Luard, Flextech director, said the company would retain £14m of the proceeds to pay off debt and fund development of media interests. The main holding, an indirect 50.1 per cent stake in The Children's Channel, showed losses of £3m last year.

Mr Luard said Flextech intended to concentrate on the opportunities for children's and family programming in the growing satellite and cable markets. By 1995 in the UK alone, he said, it was estimated that there would be between 8m and 9m cable subscribers, compared with just 500,000 this year.

The Expro purchase was backed by CINVen, the venture capital group.

Fresh doubts on payment to Davy holders

By Andrew Bolger

Former shareholders of Davy Corporation seem little closer to receiving their second payment of £54m in spite of a deal concerning Emerald Producer, the floating oil production facility which cost Davy its independence.

Trafalgar House, the property, construction and engineering group which took over Davy, said yesterday it had reached an agreement with Midland and Scottish Resources, the oil company which ordered the rig from Davy.

Trafalgar will lease the Emerald to MSR for $65,000 (£37,000) a day.

Trafalgar made the second payment to Davy shareholders, worth 45p a share, conditional on it receiving payment for the Emerald from MSR, which so far has been unable to draw on letters of credit, which expire on June 30.

Trafalgar believes it remains unlikely that MSR will be able to get the necessary certification before June 30, or have the deadline extended.

Prudential cuts cash bonuses for executives

By Richard Lapper

UNDER a new share scheme for senior executives of the Prudential, the UK's largest life assurance company, the maximum bonus receivable in cash has been reduced from 50 per cent to 15 per cent of basic salary.

Shareholders were told the details at yesterday's annual meeting.

The change has been made following a row last year about the remuneration received by Mr Mick Newmarch, chief executive.It involves a 40 per cent reduction in bonuses and an even sharper fall in the amount of the bonus receivable in the form of cash.

Sir Brian Corby, chairman, explained that the aim was to "link the remuneration of senior executives to long-term performance."

If recipients choose to buy Prudential shares with their bonus the company will match the amount with an equal number of shares. These extra shares, however, cannot be sold for at least five years.

Cosalt tumbles to £778,000

The recession continued to depress markets and margins at Cosalt, the diversified south Humberside-based group.

Pre-tax profits amounted to £778,000 for the six months to March 1, down 23 per cent on the previous £1m. Turnover came to £40.5m (£39.9m).

Mr Edward Brian, chairman and chief executive, expected profitability to be much stronger in the second half, in keeping with recent tradition.

Profit included £167,000 (£106,000) from sale of surplus premises. Earnings per share came to 4.52p (5.9p) and the interim dividend is again 4.25p.

British Land makes £38m buy

By Vanessa Houlder, Property Correspondent

British Land has paid Greycoat £38.3m for the remaining 40.3 per cent interest in three City properties, which are let to SG Warburg, the merchant bank, and Henderson Administration, the fund manger.

The deal completes British Land's interest in the properties which began when it took part in one of the most innovative property financing deals in London in the early 1980s.

British Land is paying Greycoat £27.5m cash and a further £10.8m will repay Greycoat's debts to Finsbury Avenue Estates Holdings, which owns the properties.

British Steel in talks with Swedes

British Steel and Avesta, the Swedish stainless steel group, are close to agreement on creating one of the world's largest stainless steel producers with annual turnover of about SKr13bn (£1.2bn) and production of 700,000 tons.

Avesta said it hoped the deal would be completed by early next month, although British Steel said that discussions about possible collaboration were at a preliminary stage.

British Steel said it was not possible to provide any details about the nature of any partnership as the talks had not yet reached that stage.

Any new conglomerate is likely to be jointly owned by the two companies, though Avesta added the talks were based on the assumption that it will remain an independently listed company. Sir Robert Scholey, chairman of British Steel, is understood to be playing a leading role in the talks.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ATA Selection §	fin	nil	-	nil	nil	1
Body Shop	fin	0.92	July 17	0.7	1.6	1.22
Brit Amer Film	fin	12.32‡	July 1	6.3	15.695	9.3
Callyns	fin	6.5	July 15	6.5	11.5	11.5
Carlton Comms	int	6.7†	Aug 26	6.1	-	15.5
Casket	fin	0.35†	Oct 1	0.2	0.5	0.2
Cosalt	int	4.25	Aug 28	4.25	-	10.75
Dartmoor Inv Tst	fin	3.8	July 31	3.8	11.2	10.8
Fairline Boats	int	3.575	July 22	7.15	-	21
Mid Kent	fin	5	July 21	4	9.5	4‡

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For six months. ‡Includes 5p bonus.

Loss and dividend cut sinks Fairline shares

By Richard Gourlay

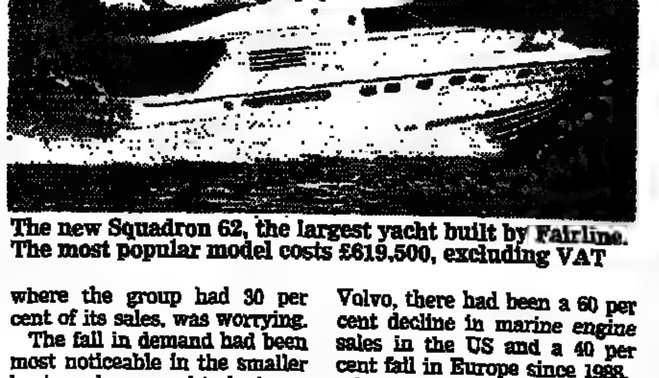
SHARES IN Fairline Boats, the leisure power boat group, yesterday lost a quarter of their value after falling demand pushed the Peterborough-based group into losses and forced a cut in the interim dividend.

In the six months to end-April, Fairline incurred a pretax deficit of £613,000, against profits of £2.1m, on sales down 36 per cent at £12.3m.

The interim dividend is halved to 3.575p as earnings per share of 41.9p gave way to losses of 11.8p. The share price fell 103p to 325p.

"People need to start making money in the their small businesses again for demand to pick up," said Mr Sam Newington, chairman.

While there were signs of renewed interest, the turn down in the German economy, where the group had 30 per cent of its sales, was worrying.



The new Squadron 62, the largest yacht built by Fairline. The most popular model costs £619,500, excluding VAT

The fall in demand had been most noticeable in the smaller boats and appeared to be internationally spread. According to Volvo, there had been a 60 per cent decline in marine engine sales in the US and a 40 per cent fall in Europe since 1988.

Demand for the most expensive models, costing about £600,000, was most resilient.

Mr Newington said he was also concerned about changes to European Community VAT rules. From next January, anybody buying in one EC country and exporting it to another will no longer be able to claim VAT exemption.

Member state governments would individually decide whether to levy VAT on boats already based in their countries, a move which would lead to disruption in the market.

The net cash balance was nearly halved from £3m at the same period last year before taking into account the June tax payment.

Mr Newington said the group was not altering its strategy of having gone up market with larger boats. In the short term there was no option but to batten down the hatches and wait for the recession to pass.

FINANCIAL TIMES SURVEY

PACKAGING AND THE ENVIRONMENT

Thursday May 28 1992

The industry has reacted with dismay to being depicted as a polluter in a wave of environmental legislation that has swept the industrialised world. But its high visibility and throw-away culture connotations have made it a prime target, writes **John Thornhill**.

Wrapped up in the law

MR HANS Rausing, the chairman of the Swedish Tetra Pak Alfa-Laval group, whose great height and business reputation means that he towers over the packaging industry both physically and symbolically, tells a simple story to illustrate the necessity of packaging products.

Browsing through an English 1920s detective novel in his father's library, he came across a passage in which a group of upper-class women in London were discussing how to get good milk.

"As late as the 1920s, in the richest city in Europe, these well-to-do women could not find decent milk," he says incredulously. "The reason? Lack of packaging."

According to Mr Rausing, between 1912 and 1937 there were 65,000 deaths attributable to infections from raw milk in England; between 1951 and 1980 there were just four. Effective packaging was at least partly responsible for this substantial reduction. "The food industry and food distribution could not function without packaging," he says.

Throughout the third world, millions of people have accepted the truth of this remark, and are desperately trying to make the same move up the packaging ladder to a situation where food products are safely processed, packed and distributed.

In central and eastern Europe, too, there is a vast need for improvements in the management of food distribution to help prevent the appalling squandering of resources. Even in the most dilapidated parts of the former Soviet empire, there is rarely a shortage of produce at the farm gates but there is invariably a deficit of goods on the shop shelves.

Given the essential tasks that it believes it performs, the packaging industry has therefore reacted with a sense of dismay, bordering on disgust, to being depicted as a dirty polluter in a wave of environmental legislation that has swept across the industrialised world.

Used packaging looms large in the eyes of consumers, as they daily see it as litter on street corners and cram it into their dustbins – Americans probably hold the world record, generating four pounds of rubbish every day.

Because of its high visibility and connotations with a "throw-away" culture, the packaging industry has been a prime target for environmental campaigners who have found it easy to stir up popular passions. Politicians have naturally responded by introducing legislation.

In Germany, the forceful environment minister, Mr Klaus Töpfer, has effectively coerced industry into establishing a massive recycling scheme called the Duales System Deutschland (DSD). This system promises to recycle ever-increasing proportions of used packaging and drastically reduce the volume of waste going to landfill sites.

The industrial architects of the scheme stress that it is experimental and will be fine-tuned over time, but its introduction has, nevertheless, provoked furious controversy within the European packaging industry.

Companies outside Germany complain that mountains of waste products – which cannot yet be absorbed into existing recycling schemes within Germany – are being dumped on foreign markets, destroying the fragile economics of indigenous recycling projects.

One leading figure in the packaging industry recently described the DSD system as "absolute lunacy", because it devoured more energy in recovering and re-using waste packaging than it saved – resulting in a net negative impact on the environment.

Other countries, particularly in Scandinavia and the Netherlands, have also introduced stringent environmental legislation affecting packaging products. The European Commission is also polishing up the final drafts of its directive for the avoidance of packaging waste, which is expected to be published later this year.

The legislative picture is, if anything, even more confused in North America. At a packaging conference earlier this year, Mr John Bence, a senior vice-president of Stone Container Corporation, described the difficulties of dealing with the "crazy quilt" of state and local laws that had been created in the US. In 1990, he said, 38 states enacted 140 recycling laws, most with different stipulations.

But many independent industry observers are now pausing and seriously questioning whether this onslaught of popular and legislative pressure is addressing the real problems associated with packaging and the environment.

Professor Bill Rathje, an American garbologist from the University of Arizona, who spends his days digging up old landfill sites to examine what lies within, says there is a vast discrepancy between public perceptions of the problem and the realities.

In consumer surveys in the US, most people believed that fast-food packaging, such as McDonald's clam shells, accounted for more than 20 per cent of the volume of landfill sites, with polystyrene foam representing more than 30 per cent and disposable diapers – or nappies – filling more than 25 per cent. The real figures in an average landfill site, according to Prof Rathje, are 0.25 per cent, 0.9 per cent and 0.8 per cent respectively.

Almost half of landfill sites are stuffed with newspapers and other paper products – which only decompose very slowly. Construction rubble and organic waste also account for a substantial proportion.

In the grand scheme of things, therefore, domestic packaging waste ranks low in the list of environmental priorities, representing perhaps only 2-3 per cent of the total waste generated by modern industrial economies.

Nevertheless, such facts certainly do not absolve the industry. There is undoubtedly far more that it can sensibly do to reduce the environmental impact of packaging. Much more progress can be made in "lightweighting" products by using less raw material, redesigning packages to include more recycled, enlarging them to increase the ratio of volume to area, and even changing the nature of the contents by introducing concentrated detergents, for example.

In general, the response of the packaging industry to the environmental onslaught has been pretty pitiful, as many in the industry privately admit.

Trade associations in each different sector of the packaging industry – including glass, aluminium, tinplate, plastics, paper and board - have all lobbied hard to "prove" the environmental acceptability of their own products – often maligning their rivals products in the process.

But this has only exacerbated tensions in what has always been a highly fragmented industry. No one has yet acted effectively to adopt a broader perspective and campaigned for the most desirable industry-wide solution.

Yet such solutions are perhaps possible if only the industry would sit down with environmentalists and government and agree on an accepted framework of debate.

Many observers accept that life-cycle analyses, which assess environmental impact from "cradle to grave", can be an effective tool in determining the right balance between different packaging products. But such analyses often run the risk of subjectivity, and there is a need for them to work on an accepted set of premises.

At present, there is no single packaging industry, according to one leading supplier, only separate sectors. But there must be one – not only for the sake of the environment but the future prosperity of the packaging companies themselves.

IN THIS SURVEY

Big demand expected in eastern Europe

ALSO

David Marsh explains the EC's tightening grip

The patchwork that has to be ironed out

THE PACKAGING industry is at the centre of an emotional tussle with the European Commission over plans for EC-wide rules covering disposal of waste used for wrapping products.

EC plans for a harmonisation of packaging rules have attracted hostility, both from industrialists claiming that legislation will impose unfair burdens and from environmentalists calling for tougher action to curb *the surge in* waste from the "throw-away society".

The EC's 12 members have put into effect a highly disparate series of regulations on the treatment of packaging waste. *As in other areas of the* environment, the most stringent action has been taken in Germany, the traditional leader in "green" policy.

The patchwork of systems, both voluntary and imposed, requires companies operating throughout the EC to apply widely *different* targets, quotas, levies and deposit measures on waste generated by packaging – a sizeable barrier to cross-border trade.

Ironing out these disparities through the introduction of a *common regulatory framework* forms an important part of the aim of establishing a Community-wide single market for consumer goods. Yet legislation in the field of packaging also represents possibly the most difficult example of the bid to frame common rules to bridge the Community's *north-south gap.*

The EC has to struggle to encompass both the concerns of the "green" northern countries, led by Germany, and those of the poorer southern nations such as Spain and Portugal trying to catch up with higher living standards elsewhere. *Governments* in these southern countries see much EC environmental law as an expensive and unnecessary obstacle to this aim.

The strict packaging legislation introduced by Germany *during the past year* serves as a highly controversial benchmark for the rest of the Community. The German law was further stiffened on April 1, when consumers gained the right to hand back unnecessary wrapping to retailers at the point of sale.

Germany's measures have already sparked complaints from industrialists in other countries. This partly reflects fears that products from elsewhere in the EC are likely to face discrimination on the *German market.*

Additionally, the large levels of excess waste material collected in Germany from recycling schemes threaten to swamp waste markets throughout the Community – unsettling attempts elsewhere to set up viable schemes for reusing waste. There has also been *criticism that Germany's* recycling schemes themselves are intrinsically inefficient. Far more energy is used collecting and transporting packaging waste around Germany, it is claimed, than is being *saved through attempted* passage towards an environment-friendly waste regime.

Reflecting the impact of such criticisms, the final version of Brussels' plans for a packaging directive seems likely to be far less stringent than the measures in force in Germany. The Commission's plan of action centres on a 10-year programme for the reduction of packaging waste and the achievement of recovery and recycling targets. *Individual* countries are unlikely to *transcribe* the Community's *proposals* into national law until the mid-1990s. But first the EC's finalposition will have to be drawn up - probably after the summer.

The tussle between industry and the environmental regulators looks likely to be one of the *more intriguing* wrangles coming to a head during Britain's six-month presidency of the Community in the second half of this year.

Germany

Only mild grumbles

THERE HAS been no lack of complaints from German industry over the flood of regulations on packaging and recycling from Mr Klaus Töpfer's environment ministry.

But, considering the business community's normally rigid resistance to interventionist policies from Bonn, the grumbling has been mild. It has been concerned more with timetables and technology than with the guiding principle, widely embraced by the population, that the throw-away society has had its day.

Nor, as Mr Töpfer enjoys telling those who resisted his proposals, has there been any fuss from the competition authorities in Brussels: no summons to the European Court of Justice in Luxembourg. Although *the European Commission's* own proposals on packaging and recycling are less rigorous than those already implanted in Germany, the minister is encouraged. "We can see the same building blocks we used *in our regulations,*" he said in a recent interview. "Therefore, others have been convinced."

But not everyone. Britain's Industry Council for Packaging and the Environment (Incpen), has formally complained that the latest round of rules "restricts the free movement of *goods into Germany." It also* claims, as do German environmentalist groups, that, because the German recycling industry will not be able to cope with the flood of returned packaging, it will be shipped in other countries, such as Poland which is hungry for foreign exchange, *overloading* their waste disposal systems and adding to their already hefty environmental burdens.

There are already signs of strain. The plastics industry association, faced with taking back an estimated 1m tonnes of packing each year, recently appealed directly to chancellor Helmut Kohl for a stay of execution of the legal requirement that, from July 1995, they must recycle at least 64 per cent of the packaging output.

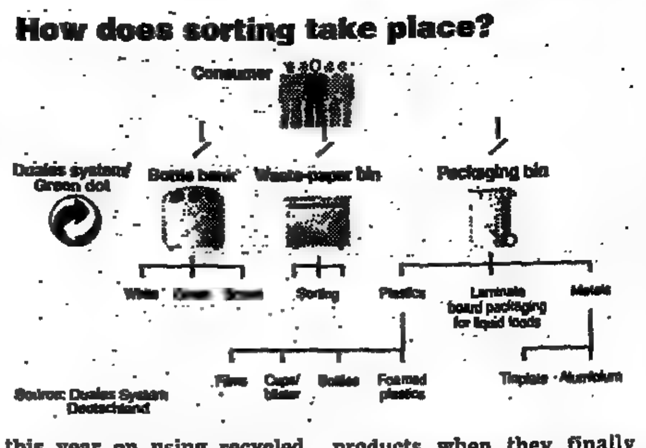
The industry claimed that, in the time before the deadline, it would be able to install only enough capacity to deal with 20 per cent, and it would be 1999 before it could cope properly. The same conditions have been set for paper, glass and metal waste.

Mr Töpfer immediately rejected the appeal, and his officials claimed that the problem would tend to resolve itself. Confronted with specific *deadlines and quotas*, industry would reduce its output and use of plastic packing, and therefore reduce the need for reprocessing plant.

Meanwhile, some sectors are getting on with the job. According to the BASF chemicals group, more than 35 per *cent of the 30,000 tonnes of* polystyrene foam used each year for packaging in Germany is already being re-used. It is typically either milled and re-used in its ground-up state in packing, potting composts or lightweight cement and concrete products, or melted down and recycled entirely.

The Storopack-Reichenecker Group, a leading manufacturer with five recycling plants already in operation, calculates this year on using recycled product in up to 50 per cent of its annual output. Its plant in Langenau, Baden-Württemberg, can handle 600kg an hour, and is claimed to be the biggest in Europe.

How does sorting take place?



Source: Duales System Deutschland

Despite the continued griping, the commercial as well as the environmental benefits of Mr Töpfer's grand design are beginning to emerge. German companies, forced to adapt, are rapidly developing new recycling technologies and building a competitive position for when similar legislation is introduced elsewhere. Virtually every major engineering concern in the country now has a division dedicated to environmental technology. Car manufacturers and domestic appliance makers are well along the road to meeting the minister's next requirements: that they should be responsible for taking back and recycling their products when they finally leave the road or run through their last cycle.

Meanwhile, the country's whole waste handling and disposal system is in the throes of a revolution: again a possible model for others of public and private services working in parallel.

Duales System Deutschland (DSD), an independent collection and recycling company set up last year by retailers and manufacturers to help cope with the new rules, is making rapid progress. The 400 companies which launched it had grown to around 3,000 at the last count. Its income from licensing members to mark their products with Der Grüne Punkt (the Green Spot) is *already around* DM2bn (£683m) a year.

The Green Spot is a guarantee that the maker has undertaken to take the package back and re-use or recycle it. Loudly denounced by environmentalists as a confidence trick and nothing more than a way of artificially increasing prices (the cost of the mark, depending on the size of the package, ranges from 1 pfennig to 20 pfennigs a pack).

They claim manufacturers have signed up with DSD and increased their prices while its disposal and recycling functions are still in their infancy. A grand project to equip every household in the country with a special yellow dustbin to hold Green Spot packs is still on trial in only three areas, including Bonn. Collected by the public authorities, their contents are sorted and shipped off for recycling by private companies.

Germany's tidy-minded citizens, among the most environmentally-concerned in the world, are well-accustomed to playing their part in environmental protection.

However, there are some signs of fatigue among the population. Bins installed in shops since April to collect outer packaging are relatively underused. Shoppers complain they have no time, or that the bins are inconveniently placed.

What is already obvious, however, is that the manufacturing, retailing and packaging industries are adapting. Karstadt, a leading department chain, reported in April that it had asked suppliers to dispense with outer packaging on more than 5,000 products. According to the environment ministry, one of the country's biggest food retailers has calculated that outer wrappers are unnecessary on 98 per cent of its grocery lines.

Christopher Parkes

The UK: **Pauline Covell** examines the health of its container makers

Looking across frontiers

THE UK packaging industry is large by any measure: it has an *annual turnover of about* £8.5bn, and represents some 10 per cent of GDP.

A service as well as a manufacturing industry, it has much to contribute to current UK industry demands for efficiency, economy and reliability. Over the last five years it has also had to react to environmental demands – or what its main customers, the food and beverage producers, see as consumers' "green" demands.

It has also, like most UK industrial sectors, been forced to react to the coming of the single European market which has brought with it a jostling for position among the larger materials and containers companies *both from within the* Community and outside.

UK businesses have bought into continental European footholds, and vice versa – especially where it makes no sense to transport air in empty containers across long distances. UK companies and their continental competitors have also set up sales organisations across Europe, so as to be able to operate across national frontiers more easily.

America, Japan and Scandinavia, the other homes of advanced packaging technology, have been anxious,too, that the large EC market should not close its doors on them, and companies from these centres continue to acquire or start EC based European companies. Typical of this is the Scandinavian move into the UK board industry and PLM's takeover of Redfearn Glass.

In June 1990, the UK's largest independent paper and packaging company, Reedpack, went into foreign ownership when it was taken over – for £1.44bn – by Swedish group Svenska Cellulosa Aktiebolaget (SCA), although it has since divested parts of the business – for example, RPC Containers (the plastics containers company), acquired by the management just over a year ago.

The other main pre-occupation of the industry, however, over the past two years has been the state of the domestic and international economy. With approximately two thirds of materials and containers being used for food and drink, and a further 5 per cent for pharmaceuticals, much of the industry, although not recession-proof, has not suffered nearly as badly as other sectors.

UK manufacturers' sales figures of materials and containers are not yet available for 1991, but there is likely to be little increase on the 1990 figure of £8.5bn.

According to Rowena Mills Associates (RMA), the specialist economist in the packaging industry, the 1990 split in value by sector was: paper and board 33 per cent; plastics (film and containers) 30 per cent; metal (cans and drums) 20 per cent; glass 5 per cent; labels 5 per cent and other materials 7 per cent.

Between them, the three major businesses – paper and board, plastics and metals – account for 85 per cent of the £8.5bn. Plastics continues to vie with the fibre-based materials for the number one spot, and, in terms of tonnage consumed, showed a similar growth to the previous year. At 4.6 per cent, it rose from 1,418,000 tonnes in 1989 to 1,483,000 tonnes in 1990.

This was lower than in the mid to late 1980s, when growth ran into double figures, but reflected factors other than *those purely associated* with the recession, says RMA. Lightweighting and downgauging, the process of reducing the weight/unit ratio and perhaps, to some extent, environmental factors are thought to have been at work.

Among the plastics materials, *low-density polyethylene* was the only polymer that fell marginally. Bottle demand in all polymers was up by some 11 per cent and PET (polyester) demand continued to rise rapidly – up by 43 per cent. Most *of this growth was accounted* for by film rather than what is now the traditional container for carbonated beverages, the PET bottle market.

Environmental concerns and the consequent legislation will change the way plastics develop in the future, compared with the last 30 years, according to recent research work by Maack Business Services in Switzerland.

While it believes that there will be large substitution losses from polyethylene, polystyrene and PVC across Europe, there will be balancing growth in polypropylene (PP) and PET up to the year 2000.

Plastics packaging films are here to stay, but Maack predicts that more than 20 per cent of the PP market in 2,000 will represent substitution of other polymers, while for PET the percentage is even higher, at more than 50 per cent.

Recession was responsible for a relatively poor year for paper and board. Demand for packag*ing and wrapping fell back* 10 per cent, from 76,800 to 69,000 tonnes, and paper sack sales continued to decline, as industries such as cement reduced their demand. Fibreboard, corrugated and solid board case materials fared better in this sector, with food and beverage transit packaging holding up, partly as a result of increased summer beverage sales; but demand for consumer durables, notably white goods (another big user of fibre board) fell back. Industry estimates put 1990 square meterage of corrugated fibreboard at 3,401m, compared with the 1989 figure of 3,360m.

Cartons volume was down very slightly in 1990, at 0.5 per cent, with only the gift carton area suffering in a sector that largely remained unaffected by recession. Half are used by the food industry. The UK folding carton industry has sales of about £920m, converting more than 600,000 tonnes of material a year. In Europe, only Germany converts more – in the region of 700,000 tonnes.

> The industry is characterised by its hundreds of medium to small companies

Sales of open-top cans for human food fell, and there was limited recovery for those for pet food. The excellent summer of 1990 contributed to a 9.5 per cent increase in sales of carbonated drinks, and nearly 6 per *cent for beer, giving a strong* push for the beverage can. Overall, 13.7bn metal cans and containers were sold in 1990 (1989: 13.1bn).

According to CMB Foodcan, despite the challenges from many quarters, the can has notched up some notable successes – not least in the pet food sector, for which in the UK 3bn steel cans are currently being produced each year. Beverage cans (both steel and aluminium) exceed 7bn a year.

One area on the metals front where environmental perceptions have had a clear impact has been in the market for aerosols. For a second year, sales *dropped by over 4 per cent.*

Glass containers were also helped by the good weather in the summer of 1990 – at 1.9 per cent, the increase was slightly more rapid than the previous year. But, says RMA, while there was much talk about the environmental friendliness of glass, there was no significant shift for specific products towards this material on these grounds. The 1990 figure was 5,972m units, compared with 5,862m the previous year.

Labels have seen a significant shift from paper and wet glue to self-adhesive varieties. Labels as a whole grew from 703m to 723m square metres in 1990, but, according to RMA, self-adhesives forged ahead by some 9 per cent, while competitive materials dropped back.

Although there are giants, as *in any industry, the packaging* business is characterised by its hundreds of medium to small companies.

Paul Curtis, chairman of the Institute of Packaging and a manager at carton converter BPCC Taylowe, says there are some 230 registered carton manufacturers competing in a market for which around a 2 *per cent growth is predicted by* some analysts.

However, the market share is all important. Sixteen companies account for almost 80 per cent of the total market. All have turnovers in excess of £10m a year. Another 63, in the £1-£10m turnover region, *account for the next 34 per* cent. This leaves approximately 150 businesses competing for the remaining 7 per cent.

There is no doubt that the main challenge to today's packaging industry is concern for the environment.

Recycling of paper and board is well in place, cans are a valuable source of metals, and plastics packaging can provide the material for other products or fuel for energy. But much of the development in the use of recycled materials and their economic viability will rely on the success or failure of collection schemes.

□*The writer is consultant editor of Packaging Today, and contributes to packaging magazines in Europe and the US*

هكذا اصنف الأجل

John Thornhill explores opportunities in eastern Europe

Huge demand expected on route to market economy

ONE OF the great ironies of the European packaging industry is that, while the western half of the continent seeks anxiously ways to restrict what it produces, the eastern half tries desperately to raise its levels of production.

East of the Elbe river, concerns about the environmental impact of packaging are submerged by the desire to achieve an acceptable standard of living. Packaging clearly plays a pivotal role in the process.

Under the direction of communist planners, the packaging industries of eastern Europe generally suffered chronic under-investment and failed to provide adequate delivery systems for food and consumer products.

An Economist Intelligence report on the market, prepared by the Budapest-based Echo consultancy, says investment was based largely on the "residue principle": investment in packaging had a low priority.

This resulted in severe under-development of machinery and infrastructure, leading to an appalling waste of resources. Estimates vary, but the EIU suggests the former Soviet Union squandered about a quarter of its food production because packaging was poor or non-existent.

The sector has been targeted as an area of strategic importance by national governments and investing institutions from the west, such as the European Bank for Reconstruction and Development (EBRD).

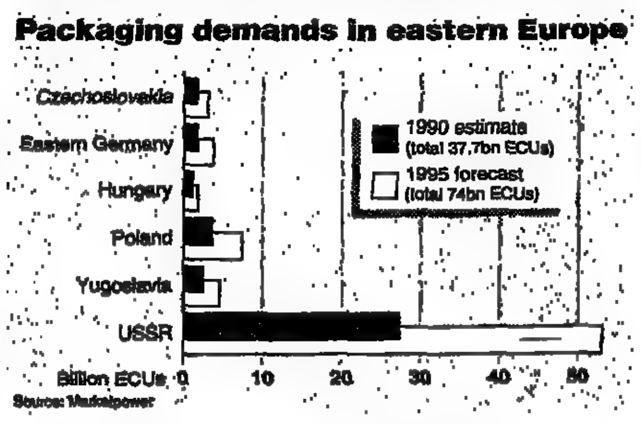
They argue that good quality packaging will not only improve living standards within these countries, but will also facilitate the export of goods, enabling manufacturing companies to earn hard currency, vital for buying western capital plant to upgrade the manufacturing base.

It is difficult for a capitalist system to flourish in the absence of capital, but even modest investments can yield huge benefits by reducing wastage.

Visitors to the Ukraine tell how the roads are covered with golden wheat at harvest time, because it blows off lorries for lack of tarpaulins. A western project to provide plastic bags for Moscow has ensured lower wastage in transporting bread and lengthened its shelf-life.

Given the vast scale of the challenges, it is all too easy to be pessimistic; but, conversely, the packaging industry's past neglect also creates great opportunities for future long-term development.

Packaging demands in eastern Europe



As the countries of eastern Europe grope towards fully-functioning market economies, there is likely to be a phenomenal demand for packaging products – outstripping growth in almost all other areas of the world.

However, the instability caused by the collapse of Soviet markets, which were of crucial importance to many central European industries, may at least temporarily check the process.

Marketpower, a UK research company, estimates that between 1990 and 1995 the value of packaging in the region will rise from Ecu37.8bn to Ecu74bn.

The former East Germany will demonstrate the fastest growth at 18.6 per cent a year, it suggests, followed by the former Soviet Union, Czechoslovakia and Poland at about 14 per cent. This pattern of growth will seemingly break the truism of development in most industrialised economies where the rate of growth in packaging has simply mirrored the trend in gross domestic product.

But although the overall market may increase significantly, individual segments are likely to perform very differently. The Marketpower study suggests that PVC and paper packaging products will decline in usage and tinplate, cartonboard, glass jars and polypropylene will show very little real growth.

It suggests the fastest growing materials are likely to be be PET, cans, polyethylene, aluminium and corrugated materials. There are good opportunities for native and foreign enterprises to exploit these market opportunities.

Western companies such as Huntsman, the US chemicals and plastic packaging company, and Tetra Pak Alfa-Laval, the Swedish liquid packaging and processing group, are already carving out significant shares of their chosen markets.

Environmental concerns are acute in many countries in the region but, sadly, it is all too likely they will take a back seat in the dash for economic growth – confirming the belief that environmentalism is largely the prerogative of the affluent.

However, the industries in some central European countries, and in particular, Hungary, are at a more advanced stage of evolution and provide greater hope.

Earlier this year, Mr György Viszkei, secretary-general of the Hungarian Association of Packaging and Materials Handling, told a Financial Times packaging conference that his government intended to introduce legislation to harmonise its environmental packaging policies with European Commission regulations within the next two to three years.

He accepted, however, that the country would face an uphill struggle to implement such plans: Hungary had previously made no provision for collecting or recycling household waste and largely lacked the means to finance cost-intensive environmental investments.

But an example of what it is possible to achieve is the success of Petöfi Nyomda Rt, a Hungarian packaging and printing company, which received the first industrial loan from the EBRD last year.

Petöfi, in which the Italian industriallst Carlo De Benedetti has a controlling interest, is not only helping to develop the Hungarian industry but is also earning valuable foreign currency by manufacturing products for western companies in Germany and Austria, such as Marlboro cigarette cartons, MacDonald's French fry holders, Henkel detergent boxes and Mars candy wrappers.

Last year, the company increased turnover by a quarter to the equivalent of $40m (£21.8m), about half of which is accounted for by exports.

Eastern Europe will need many other such packaging companies if it is to create viable economies. "A major reason why the previous political systems lost the support of the people was that they were unable to achieve economic success. It would entail consequences that are difficult to foresee if the functioning of market economies resulted in similar experiences," says Mr Viszkei.

Don't only blame the packaging, writes Jane Bickerstaffe

The dustbin holds a cocktail

PACKAGING is usually seen as the biggest generator of waste. Yet used packaging accounts for only a quarter by weight of household waste, and a similar amount by volume of waste that is landfilled.

Even if all packaging were removed from the waste stream, therefore, there would still be a waste problem.

The contents of a typical UK household consists of: packaging (24 per cent), other paper (29), food and garden waste (25) and other materials (22).

The real problem with waste is the need to handle it in an environmentally acceptable way, whether it is recycled, incinerated or landfilled.

UK local authorities have generally provided outstanding services, and UK and EC legislation now coming into force will improve standards still further.

Even so, legislators charged with improving waste management services often reveal a myopic approach that places a disproportionate emphasis on packaging because of its high visibility.

For example, the European Commission's draft packaging and packaging waste directive appears to assume, wrongly, that packaging waste contributes to the increase in the volume of wastes and the saturation of landfills. This is not supported by the available evidence.

A report by Dr Harvey Alter, of the resources and policy department of the US Chamber of Commerce, shows that in the US the per capita generation of household waste has been statistically constant for many years, and that the amount of packaging waste disposed of has levelled off and is showing a slight decline. A similar pattern is likely to be true for northern Europe.

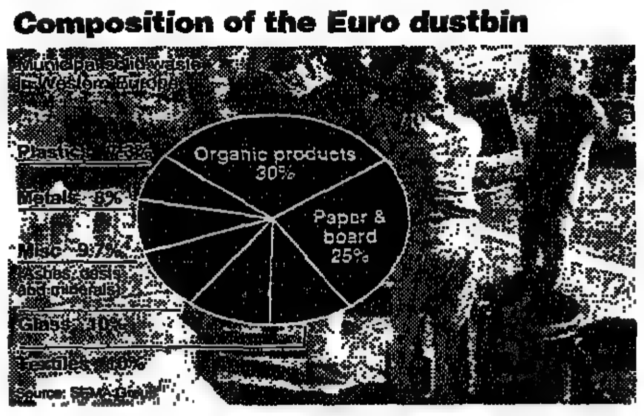
In 1980, the Industry Council for Packaging and the Environment (Incpen) and Merseyside county council carried out a detailed analysis that identified the packaging component of household waste; and, over the past three years, Incpen and the departments of Environment and Trade and Industry have been funding a similar analysis of household waste in Sheffield.

Although these studies are local and may not be representative of national compositions, they do show a small decrease in the total weight of packaging in household waste in the past 10 years.

The same decade has seen the number of goods and the range of foods available increase dramatically, higher health and safety standards, and greater versatility of packaging with the use of more resources.

This is the result of better technology, which has allowed glass, paper, plastics and metals to be used more sparingly to do the same job better, or to do jobs that previously could not be done at all.

Composition of the Euro dustbin



There is, of course, potential for re-using some packaging, but the emphasis should be placed on recycling the materials for which end-use markets are most easily available and those that contribute the greatest quantities to waste.

It is possible to imagine an ideal system for handling used packaging. It would look something like this, with the figures in brackets showing the percentage of each in household waste: bottle banks for collecting glass (6-8 per cent); magnets for extracting the steel cans from the waste in the dustbin (5-6); financial incentives to collect aluminium cans (less than 1); some sort of collection system for plastic bottles (2), if a market for them existed.

Paper packaging (5 per cent of domestic waste) and plastics films (3 per cent) are usually too contaminated by food to be recycled as materials. They do, however, have a significant calorific value. So, in areas where there is an incinerator, their intrinsic energy value can be recovered.

The waste-handling systems at incinerators also allow the easy magnetic extraction of steel cans, either before or after burning.

The government's scheme to make greater use of non-fossil fuel sources of energy is providing economic incentives that should increase the amount of waste incinerated. Though many environmental groups claim that incineration is dangerous, because of emissions, the evidence suggests that these fears are unfounded, provided incinerators are operated to the standards laid down by the EC.

The ideal system, therefore, makes use of a number of different waste-handling options. But none is better than another, because each is more or less appropriate according to the type of waste, waste management infrastructure and geographical circumstances.

In particular, in environmental terms, landfill should not always be seen as "the last resort". It can have positive benefits.

For example, the House of Commons select committee on the environment, in its report on the draft EC directive on the landfill of waste, published in July 1991, states:

"We are firmly of the view that landfill, when based on good science and operated and controlled to the highest technological standards, constitutes a safe and cost-effective means of waste disposal, and in some cases is the best practicable environmental option."

Packaging can also provide a market for some recycled materials. About 90 per cent of UK-produced paper and board packaging is made from waste paper and board. Used glass and metals can go back to make new packaging. Used plastics and paper packaging cannot easily be used again as packaging, because over two-thirds of these materials are used in contact with food, and hygiene requirements cannot be assured. However, there are some uses in non-food packaging and other goods.

The fact is that some types of packaging are more suitable for recycling than others. But that does not mean both types cannot have equal environmental benefits. Glass bottles, for example, are relatively cheap to manufacture, use plentiful raw materials and can be re-used and recycled; but they are expensive and resource intensive in the distribution chain. Plastics, on the other hand, are difficult to recycle, but use a small amount of resources and are cheap to transport because of their light weight.

The present obsession with solid waste should not be allowed to dictate how packaging is designed.

Rather than have targets for recycling, a more useful – and environmentally more rewarding – target would be to reduce the overall use of resources in packaged goods distribution systems. If specific targets within that overall aim were required, then a reduction in the number of lorries on the roads, by using the optimum amount of material per pack, would have a clear environmental benefit.

The environmental challenge for industry is not primarily to devise entirely recyclable packaging, but to produce packaging and associated distribution systems that prevent the waste of food and goods and protect human health.

□*The writer is technical director of the Industry Committee for Packaging and the Environment*

Liquid packaging: the size of the market made it one of the first areas to attract EC legislators' attention

Sectors vie to be seen in a green light

IN 1990, 6.7bn litres of soft drinks were consumed in the UK. Add 785m litres of fruit juices and 400m litres of bottled water, and you begin to realise why competition between the various forms of packaging in this sector is so fiercely competitive.

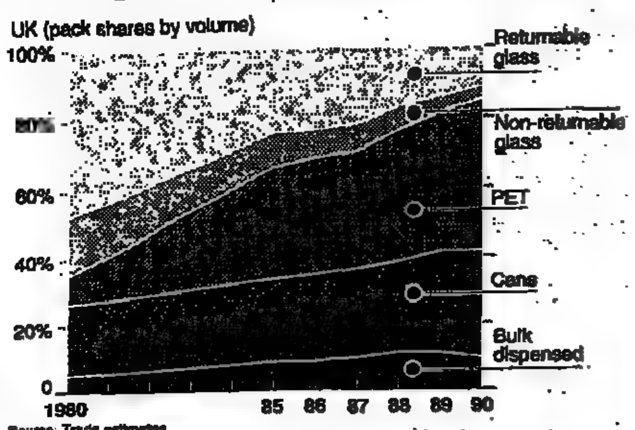
And these statistics do not include alcoholic beverages or milk.

The sheer size of this market was probably why, along with the competing elements of the packaging industry, it was one of the first areas to attract the attention of EC legislators. Drinks packaging is also immediately visible to the consumer – in streets and countryside and on beaches.

EC Directive 85/339, on containers of liquids for human consumption, requires member states to "minimise the environmental impact of used containers, encourage a reduction in their use of energy and raw materials, and report to the commission actions taken and results achieved."

In response, the Boustead & Hancock Report on the energy and raw materials requirements of liquid food container systems in the UK was commissioned by the government and relevant industry sectors. It covered the packaging systems used for soft drinks, alcoholic beverages, milk, vinegar and edible oils – 10 different systems in all – and was published in 1989. An update is due, which will show what improvements in resource-efficiency industry has made.

Packaging of carbonated soft drinks



Source: Trade estimates

However, anyone looking to this report for a clear league table of which material or system is the most environmentally friendly would be disappointed. "No single container system leads the field in all respects," said co-author, Ian Boustead, of the Open University, in a paper published in the same year.

"While it is possible to identify specific environmental problems, it is important to remember that they are frequently interlinked. Action taken in an attempt to solve one problem can often exacerbate the effects of another," he warned.

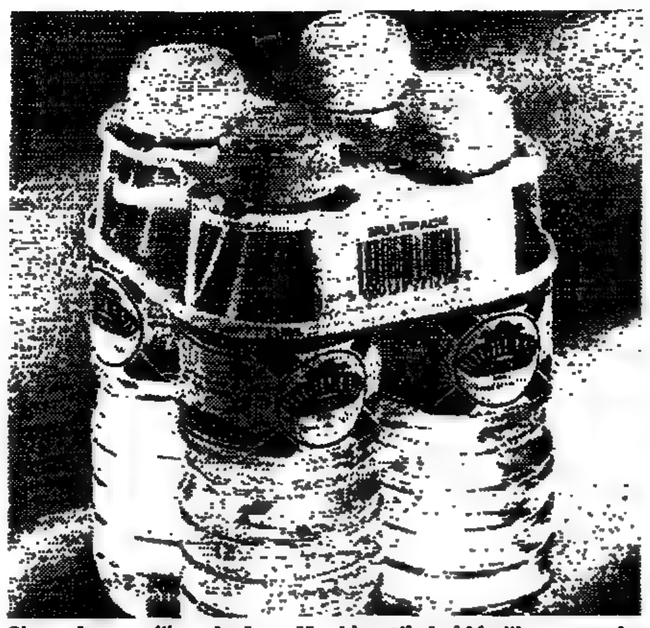
"*Therefore environmental* decision making should not be confined solely to identifying a solution to a given problem; it should also demonstrate that the proposed solution does not cause more problems than it solves, he advised."

Herein lies the basis of current thinking in much of the packaging industry, and in all aspects of the packaging chain, not only in liquid packaging. Taking one aspect in isolation, manufacturing energy usage, for example, will give a rating for each material that will bear no resemblance to the league table that comprises raw material requirements.

A cradle-to-grave or life-cycle analysis of any given container is increasingly seen, therefore, as the only sensible way to proceed in balancing the different environmental priorities. The difficulty at present, however, is that a comprehensive set of data covering the whole field, and collected according to one universally accepted methodology, is not yet available.

Work is in progress at leading independent research organisation, Pira International, which is represented on international committees under the auspices of CEN (Comite European de Normalisation).

Drinks manufacturers and their packaging suppliers cannot afford, however, to sit back and wait for this information to be established as they have to respond to new draft legislation – the EC directive on packaging and packaging waste has superseded the beverage proposals – as well as increasingly green-minded consumers.


Clear view: multi-packs from Mouldamatic hold bottles securely without obliterating pack or bottle design. In 1990, 400m litres of bottled water were consumed in the UK


Eastern promise: applying the Kaleidocoat decoration process, PLM Redfearn has produced ginger ale bottles for the Wiltshire Brewery, and the product has been launched in Japan


Milk maids: volume sales of high-density polyethylene (HDPE) four-pint bottles, from Plysu Containers, are said to have reached more than 450m a year

In reality, although it is denied by the industry, the lack of independent and authoritative information means each of the material sectors is fiercely protecting its own market share by claiming environmental superiority over others. Each highlights the aspect that puts them at the top of any one league of environmental priorities in itsliterature.

The debate has moved on from the mud-slinging witnessed in the 1980s: the nature of the business, especially liquid packaging, *dictates this*, as any one drink can be marketed in several pack styles. Each material is seeking the same business and this makes it difficult for the industry always to project a united front, even though attacks are generally made against packaging *per se*.

From a consumer point of view, it is easy to understand how glass bottles, aluminium cans and steel cans could have a better environmental image than, say, plastic bottles and paper-based cartons, even though each of the five has merits.

In 1991, 1.2bn used steel cans were recovered for recycling. Magnetic extraction is now available to an estimated 8m people, and the Save-a-Can network is present in districts housing 7.3m people. The UK recycling rate for used aluminium cans doubled from 5.5 per cent in 1990 to 11 per cent last year, or 463m cans.

Glass recycling represents 21 per cent of all national glass production. The approximate number of people using bottle banks is said to be 10m a week, with 385,387 tonnes of glass recycled in 1991.

On the plastics front, several schemes, including one in Sheffield, have been set up over the last few years, but actual recycling rates of post-consumer material are relatively low. Plastics are lightweight, however, and can save energy in their production, transportation and use.

While it is true that beverage cartons currently cannot be reused like returnable bottles, incinerators in some parts of Europe release energy from the pack for delivery to consumers. Cartons also have a minimal weight; they come from a renewable resource base and have low impact on waste disposal systems.

How do those green factors impact on the market itself, as demonstrated by consumer buying decisions on liquid packaging?

According to Nielsen Marketing Research, total sales of carbonated soft drinks increased by 1.4 per cent in 1991 over the previous year. Plastics (PET) grew by 6.1 per cent; cans by 1.3 per cent and glass fell by 28 per cent.

Yet, in the take-home beer sector, sales measured by Stats MR produced different findings *for the same period*. In a total market that declined by 1.2 per cent, plastics (PET) fell by 15; cans by only 0.8 per cent, while glass bottles rose by 9.5 per cent. This was, however, from a small base.

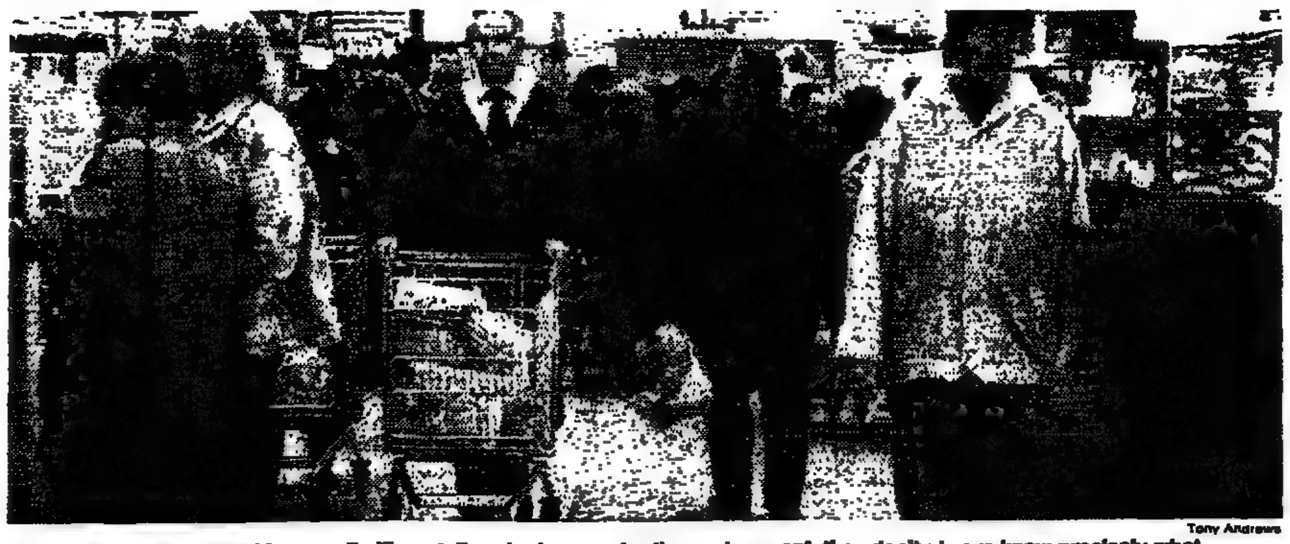
Doorstep deliveries now make up 65 per cent of UK milk sales, with over a quarter of the market now accounted for by cartons and plastics (HDPE) containers in the multiples and the remainder by corner shops. If these trends continue, doorstep deliveries could be down to 45 per cent by the year 2000.

Rather than buying on environmental grounds, consumers seem to be still basing their decisions on fitness for purpose and convenience. For example, an 80-year-old single person does not want a 3-litre plastics bottle of lemonade, while a family of four finds this medium ideal.

According to Boustead & Hancock's report, consumers are an integral part of the liquid food delivery systems, in terms of material recovery. It is, therefore, difficult to justify changes in other less significant parts of the system, if the consumer is left untouched, they argued:

"This may be a politically sensitive area, but action would be a true test of environmental will."

Gail Lea



Although consumers would generally like retailers to do more for the environment, they don't always know precisely what

Tony Andrews

John Thornhill considers the impact of 'green consumerism'

Keeping it to a minimum

EARLIER THIS year, the Women's Environmental Network caused a furore by targeting a J.Sainsbury supermarket and ripping off all the "excess" packaging from its products and dumping it at the checkouts – an echo of previous environmental campaigns in Germany.

Meanwhile, Friends of the Earth demonstrated last December outside Woolworth and Ryman stores to protest against their selling Silly String and Snow Spray in environmentally harmful CFC-filled spraycans.

Such protests are the most visible and vocal sign of how environmental concerns directly affect retailers, although they are viewed as more of a fuss than a threat to business. But arguably they represent only the tip of a far more serious iceberg.

Partly as a result of such campaigns, millions of consumers throughout the industrialised world have woken up to the environmental consequences of their consumption and are determined to do something about it. Much of this impulse towards "green consumerism" – driven by the younger generations in particular – is weak, inconsistent and at times contradictory, but *it is potent, nonetheless.*

As John Elkington, director of the SustainAbility consultancy and co-author of the Green Consumer Guide, told a CIES conference on Environment and the Food Business earlier this year: "A considerable proportion of tomorrow's consumers will see their purchasing patterns as a useful lever to effect environmental change, in effect to 'vote' yes for environmental quality. . Retailers need to recognise this trend – and to support it."

Already, some companies – including B&Q and Sainsbury's – have taken the issue seriously and have acted to seize the initiative. They are realising that, not only does such action help ease environmental pressures and win customer goodwill, but that it also invariably leads to good business practice.

Sainsbury's buyers are currently examining every product on their shelves, to ensure *they only use the minimum* packaging fit for their purpose. The company is discovering that, in addition to the environmental benefits, its approach has produced substantial cost advantages.

For example, the simple expedient of reducing the size of its free tear-off produce bags – in which customers cram *their vegetables* – has resulted in an annual material saving of more than 600 tonnes of plastic, *or 25 per cent of the total.*

Its decision to remove the polystyrene bases from under its pizzas has saved a further 100 tonnes of plastic a year at a cost benefit of more than £150,000.

As one Dutch speaker noted, at a recent packaging conference, by taking such initiatives retailers are able to act as the gearbox between the consumer and the packaging manufacturer, transmitting the shoppers' desires into buying orders, moving up or down depending on the speed of developments.

Retailers, therefore, exert a strong direct influence on their packaging suppliers. But the packaging industry often complains that retailers attempt to push the additional costs and inconvenience down the supply chain, and will not shoulder responsibilities themselves. They are quite prepared to reduce the amount of packaging, they say, but are not so keen to recover and recycle.

In particular, they point to retailers' reluctance to complicate their distribution networks by using them to return used packaging products to their suppliers. They also highlight the inconsistencies of retailers' environmental stances which have led to widely divergent policies across Europe.

How can one retailer, such as Marks and Spencer, of the UK, encourage the use of PVC packaging because it believes it is energy-efficient; while another, such as Albert Heijn, the Dutch supermarket group, can simultaneously insist on reducing the amount of PVC because it is not easily recycled? In turn, however, retailers complain about the unresponsiveness of the packaging industry in the face of their environmental concerns. "Sometimes it is like drawing teeth," says one leading retailer of his attempts to encourage a dialogue with *packaging suppliers.*

As in so many other areas of the debate, it is clearly essential for both sides to develop closer partnerships to respond to consumers' demands – however inchoate they may be. For, although consumers would generally like retailers to do more for the environment, they do not always know precisely what.

Most consumers, of course, want the best of all worlds. They do not want packaging that will compromise on convenience, or quality or products that will be any less effective. And they would probably *only accept a slight diminution* in the appeal of luxuriously packaged branded products. Consumers are still likely to choose Scotch whiskies in posh boxes for presents, and the distillers are always likely to use them to market their products – unless legislation were to force them not to.

Consumers remain rightly sceptical of many of the sweeping environmental claims made by retailers and consumer products manufacturers. But, equally, there is perhaps now a danger of a backlash against some of the more absurd and intrusive elements of environmental legislation. Even in eco-friendly California, the beginnings of just such a trend are emerging regarding the insistence on bio-degradable nappies, for example.

Consumers are also sharply *divided about whether they* want to pay much of a premium for their consciences. In a Mintel survey last year, 35 per cent of UK consumers said they were not willing to pay any extra for environmentally friendly products, although 24 per cent said they would pay more than 5 per cent extra, and 31 per cent said they were prepared to spend an extra 10 per cent or more.

As one frustrated delegate told the CIES environmental conference: "The only issue more complicated than the environment is the human psychology that affects consumer perceptions of the environmental issue, and how it motivates their purchasing habits."

But, difficult though it may be to interpret, it is now impossible to ignore. The packaging and retailing industries must, at the very least, give consumers the option of buying less environmentally harmful products and living up to their responsibilities for minimising waste in all areas of their businesses.

Case study: Tomlinson

No flash in the pan

MANY MARKETING ideas are born in unusual circumstances, but few come in stranger ways than Peter Kelly's.

Lying in a hospital bed with a dislocated shoulder, the *director of a pulp-moulding* machinery manufacturer started ruminating about the German shiny steel bed pans that the nurses brought round for the patients' relief.

"Why can't we make those?" he thought. And so he did.

His company, Tomlinson, which was *founded in Rochdale* in 1853, had for the past 30 years supplied the machinery used for pulping waste paper to produce egg cartons. Its machines were all exported for use in more than 100 countries, mainly in the third world.

But Mr Kelly believed that the move towards environmental awareness in the industrialised world could perhaps provide new markets for pulp-moulded products. Tomlinson could develop from a capital plant manufacturer towards an integrated packaging group.

From his initial thought, Mr Kelly persuaded the company to investigate the possibilities. *The company designed a new* rotary machine, in collaboration with the University of Salford, and invested in computer-aided design facilities to produce the necessary moulds for an array of different applications.

It found that the material, *which it called Fibrepack,* could be used for a wide variety of products, such as soap packages, cosmetics cases, hand tool boxes and telephone and computer packaging insulation. "We can now tailor-make pulp moulded packaging to the individual client's *needs," he says.*

Tests showed that Fibrepack had good cushioning properties, and enhanced the protection afforded to many products. It could also be laminated to make it water-resistant.

The company believes there will be good consumer acceptance of Fibreapack, which can be disposed of at traditional paper recycling banks. "The material has been around for years in egg boxes. All we are doing is giving it new applications," he says.

Mr Kelly, a former academic at the School of Oriental and African Studies who later honed his marketing skills as a commercial trader in the Middle East, says he was startled by the response from manufacturers who were interested in using the new material:

"We started it all on a wing and a prayer. But we are now in a situation where this has taken off in a completely unplanned way. People are trying to be the first into the marketplace with alternative environmental products."

Tomlinson is about to set up a new plant just to make medical products out of the material for the National Health Service. The company has already sold two medical products machines to a manufacturer in Italy.

Mr Kelly claims that it costs 17p in terms of labour, energy and capital equipment depreciation every time a traditional bedpan is sterilised in an autoclave. The pulp-moulded variety costs 3p. Once soiled they go into a special macerator.

Mr Nigel Watts, chairman and managing director of Tomlinson, who led a management team that bought the family-run company three and a half years ago, says the new markets are providing it with great growth opportunities.

"When we took over, the company had turnover of £1m. We have invested heavily in new product development and got the turnover up to £5m. This year we will get to £10m," he says.

Mr Watts believes there are particularly good market opportunities in North America and Japan. "There has been a major shift in emphasis in our business away from the third world to the first world, and that shift is entirely due *to environmental emotion.* We have got a product that anticipates the legislative climate that is emerging," he says.

But the company has encountered some embarrassing moments in trying to sell its products, not least when it received strong protests from old soldiers in the Royal British Legion when it unfurled a Japanese flag to welcome a visiting trade delegation.

In overseas markets, Tomlinson *plans to export its* machines and exploit Fibrepack's appeal through forming local joint ventures with packaging companies with marketing expertise. Paper collection systems and markets for recycled products vary enormously throughout the world. In Aus*tralia, for example,* Mr Kelly says huge amounts of waste paper are collected through Rotary clubs.

Pulp moulding machinery can greatly help countries to improve their recycling capabilities. Mr Kelly cites the example of Tasmania, which at one time had to ship all its waste newspapers to Australia and re-import the reprocessed material, because it did not *have any suitable pulp mills* itself. With Tomlinson's machines, he claims that Tasmania can now put its old newspapers to good use.

Mr Kelly also takes particular pride in the company's record of selling paper-converting equipment to the Scan*dinavians – an achievement* he likens to selling fridges to the Eskimos. "We have done all this within the constraints of our Lowry-style mill in Rochdale," he says.

Tomlinson's corporate evolution will also have some substantial financial benefits. Over the past two years, the company has had some scary moments with its banks, because of the strains imposed *by high development costs.*

"One of the problems of a capital plant manufacturer," says Mr Kelly, "is that you build a machine and get paid, and then you sit around waiting to sell the next big machine. So you have a highly unstable cash-flow position. *Packaging sales will now pro*vide the group with a steady income."

Nevertheless, he accepts that the company will face a tough job in establishing its Fibrepack product in consumer markets, and will confront a considerable challenge in man*aging its fast pace of growth.*

But he smiles, and says that, whatever happens, he will always derive a quiet satisfaction from the knowledge that his pulp moulding machines are daily turning newspapers into bedpans.

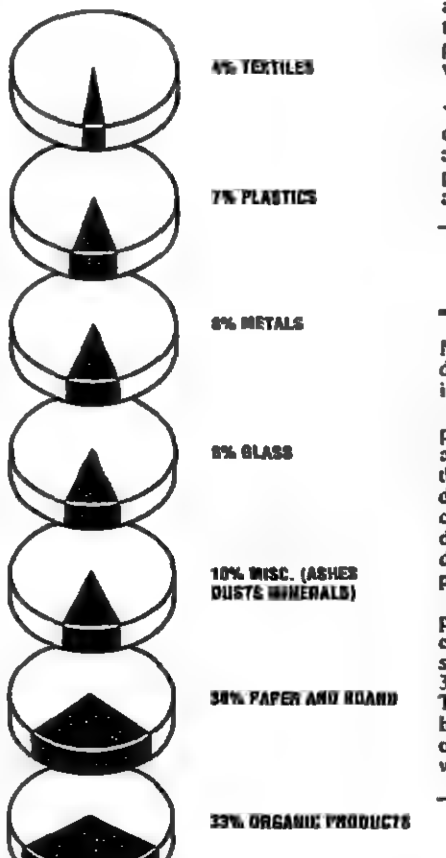
John Thornhill

ADVERTISEMENT

Putting plastics in perspective

Materials in municipal solid waste in Western Europe

(Source: SEMA GROUP 1990)



ALONG with electricity and the combustion engine, the development of plastics has probably been one of the most important *contributors to today's technological* society.

Saving natural resources such as wood and using far less energy to produce and transport than other packaging materials, *plastics have also helped to conserve the* world's resources.

Yet this material, which has changed our 'age' as much as stone, iron and bronze did centuries ago, remains largely unloved. Seen as a symptom of the 'throw away society' plastics are often singled out as 'synthetic' and 'environmentally unfriendly'.

Plastics packaging – friend or foe?

Nowhere is this ambivalent and often contradictory attitude to plastics more evident than in the area of packaging.

Society has a love hate relationship with packaging, on the one hand feeling products are 'over-packaged' on the other recognising that packaging keeps products in prime condition. Research shows that in developed countries, food wastage is just two per cent due to modern packaging, refrigeration and *distribution methods, compared with up to 50* per cent in less developed economies.

Independent studies show that without plastics in packaging 100 per cent more energy would be used at the manufacturing *stage and an increase in fuel consumption of* 39 per cent would be needed for transport. The weight of our packaging would increase by 300 per cent if plastics were replaced by other materials and the volume of waste *would grow by 150 per cent.*

Considering the environmental options

At the end of their life all plastics continue to save resources.

The versatility of plastics and their use in a wide range of applications means that they are best suited to a variety of waste disposal options depending on the type of plastics involved. Some, such as PET or PC bottles, can be reused. Virtually all types of plastics can be recycled and there are a growing number of schemes operating in Europe.

In addition, new advanced recycling technologies are under development, which in the long term, could offer the potential to return *plastics back to their original components for* reuse in a wide range of applications.

However, recycling and reuse – while instinctively obvious options – are not the panacea to solving waste issues. These seemingly desirable actions can often have 'hidden' environmental costs.

For example, the fuel used to collect and transport materials for recycling or refilling and the energy required to wash, sort and process, can often be more than is saved by recycling or reuse. After all, it should be remembered that recycling itself is an industrial process.

When recycling does not produce environmental gains, plastics can be disposed of using other recovery options depending on which offers the greatest environmental benefits. In many cases, energy generation, through the safe incineration of plastics, can yield far higher environmental gains than recycling.

"Plastics recycling is happening all over Europe, but there are limits to how much recycling alone can help solve Europe's waste problem": Dr Fred Mader, director general of the European Centre for Plastics in the Environment (PWMI) pictured at the Ekol plastics waste recycling centre in Belgium.

Weighing the environmental balance

Eco-balance studies are increasingly being employed to help decide which products to use and which waste management route to take. This approach examines a product's environmental impact from raw material though to disposal.

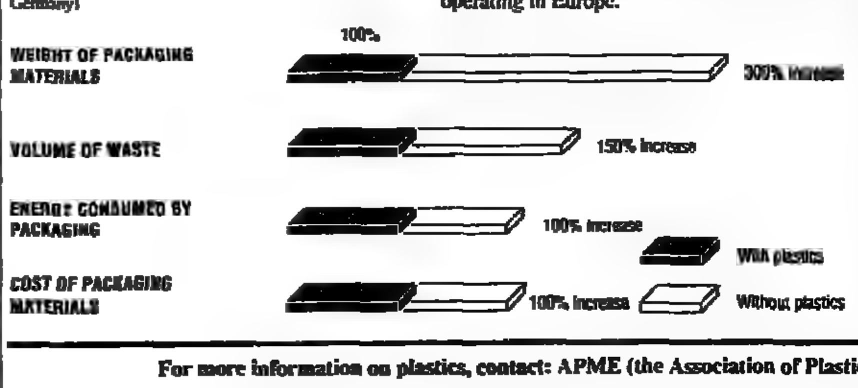
This bedrock of data is vital for decisions made within the context of an integrated waste management policy.

The packaging directive currently being developed by the EC will also help to provide a stable framework for decision making. However, in the meantime, national legislation is emerging which could, in some cases, present a barrier to free trade without demonstrable environmental benefit. For this reason it is critical for the EC's directive to move forward with speed, and provide a framework for harmonisation within which environmental protection, long term investment and free trade can flourish.

Packaging without plastics:

less plastics packaging does not automatically equal less waste, or save resources

(Source: The Market Research Association for Packaging, Germany)



For more information on plastics, contact: APME (the Association of Plastics Manufacturers in Europe), Avenue E. Van Nieuwenhuyse 4 Box 3 B-1160 Brussels. Telephone (32-2) 675 32 97 Facsimile (32-2) 675 39 35

COMMODITIES AND AGRICULTURE

Peru makes start on mine privatisation programme

By Sally Bowen in Lima

PRIVATISATION OF the Peruvian mining sector got off to a steady but unspectacular start when the first wholly state-owned mine was sold by stock *exchange auction* in Lima. Condestable, a copper mine located some 70 miles south of the capital, fetched US$1.29m, about two-thirds of *its book value.*

The shares, belonging to MineroPeru, were sold as one lot and comprised around 80 per cent of the total. The remaining 20 per cent had been distributed to workers under long-standing statutory provisions.

There had been wide initial interest in Tuesday's sale, with half a dozen potential purchasers, including Marc Rich and the Peruvian Hochschild group, which owns mines in the area. But only two bidders emerged on the day – one of them, according to stock market brokers, representing Chilean investors. The name of the eventual purchaser was not disclosed.

Mining executives say Condestable went cheaply. Even last year, with an exceptionally unfavourable exchange rate and soaring local costs, it remained one of a handful of Peruvian mines – and the only one owned by the state – to notch up a small profit. Miners say its potential is excellent although new investment is required.

The auction mechanism, however, was agreed to have been a success. Mr Jose Almenara, stock exchange general manager, said it had worked exactly as anticipated, ensuring the true market value of the company was reached. "With all the problems surrounding investment in Peru at this particular moment, it was a reasonable price," he said.

MineroPeru has a list of other companies coming up for sale in the near future. Mr Raul Otero, who presides over its privatisation committee, said that debt-for-equity swaps would be an "essential" mechanism for future privatisation.

At the same time, in New York, Mines Minister Mr Jaime Yoshiyama, was telling businessmen and bankers at the Americas Society that "all state companies will be privatised, whatever the price we obtain".

Bigger silver deficit expected

By Barbara Durr in Chicago

DEMAND FOR silver has outstripped new supply for the past two years and 1992 promises a further widening of the gap, according to the World Silver *Survey 1992, published* by the Silver Institute, a producers' association. But the disparity between supply and demand has failed to nudge prices *upward because of large* stocks held by investors.

In 1991, total new supply of 495.1m troy ounces fell short by 46.2m ounces, or about 9 per cent, *of total demand of 541.3m* ounces. This compares with a shortfall of 37m ounces, or 7.3 per cent, between supply of 505.1m ounces and total use of *542.1m ounces in 1990.*

This year, a total supply is expected to be stagnant at 495.6m ounces while demand rises to 548.6m ounces, result*ing in an increased deficit of* 53m ounces, or 10.6 per cent.

Both mine and secondary (recycled) output fell last year. Mines produced 366.6m ounces, 1 per cent *less than 1990. Mine* production is expected to increase just 1 per cent this year to 390m ounces. Recovery from secondary sources *dropped 5.8 per cent last year,* to 111.2m ounces, and will fall slightly to 111m ounces this year, the report says.

Supply last year was boosted *somewhat by government sales* and exports from the former Soviet Union, Poland and other Eastern European countries. The bulk of 12m ounces in gov*ernment disposals was from* the US.

Total silver fabrication demand fell marginally last year to 541.3m ounces from *542.1m ounces, largely because* of the Gulf War and recession in major markets, the report said. A sharp decline in electronics and electrical products *use was offset by a rise in pho*tographic demand. Overall 1992 demand is expected to climb as major economies recover.

So far this year, however, *prices have stayed in a $3.90 to* $4.40 range, about the same as in the latter half of last year, when prices averaged $4.03 for the full 12 months. The price *was down 16 per cent in 1991* from the average of $4.82 in 1990 and has fallen steadily since 1987, when it last broke $7 for the year.

*Mr Jeffrey Christian, manag*ing director of CPM Group, which prepared the report, said that stocks held by investors – which he estimated at 1bn *ounces of mostly good market* delivery metal – had held down prices and would continue to do so. Reported market stocks stood at 313m *ounces last year.*

Mr Christian believes that, like the 1970s, the 1990s are shaping up as a period of deficits in the silver trade. He does *not, however, expect prices to* rise this year or even next year to a significant extent.

Lower CIS aluminium exports forecast

By Robert Gibbens in Montreal

EXPORTS OF primary aluminium to the West by the Commonwealth of Independent States are likely to fall to *about 500,000 tonnes, from* nearly 1m tonnes in 1991, according to Mr Alfred Pfeiffer, chairman of Germany's VIAG industrial group.

"That's about the maximum they can move with their production and transport problems, and they have yet to face the environmental challenge," *he said during a visit to Mon*treal. "We're more optimistic than Alcan Aluminium's *[chairman] David Morton."*

VIAG's biggest single project in North America is the US$1.2bn Alouette Aluminium smelter at Sept Iles, 1,100 km *(700 miles) north-east of Mon*treal, on the Lower St Lawrence. Its VAW subsidiary has a 20 per cent interest and is operator. The plant starts up *on June 1 and is expected to* reach target capacity of 215,000 tonnes in 1993. Nearly all the metal will go to Europe.

Mr Pfeiffer said European *demand for primary ingot will* gain several percentage points this year as the metal penetrates *further in the motor* industry and elsewhere, helping to bring more price stability. Spot ingot now trades at about 60 cents a lb.

He said Quebec wanted VAW and partners Austria Metall, Hoogovens, Kobe/Marubeni of Japan, to push ahead with Alouette Phase II, adding a fur*ther 250,000 tonnes of capacity* at a cost of around US$1bn. "We will decide in the next two weeks whether to give a contract for preliminary engineer*ing for Phase II," he said.*

Extracting the benefits from African oil

Sub-Saharan countries are short of training and investment capital, writes **Andrew Hill**

ANGOLA IS a good example of the oil-producing potential of sub-Saharan Africa. Endowed with an estimated 4.9bn barrels of recoverable reserves, the country continued pumping during 16 years of fierce civil war, which officially ended less than a year ago. Oil kept the Angolan economy afloat.

Now, with new offshore fields being opened to exploration and investment, and more than 500,000 barrels of crude being produced a day, Angola is consolidating its position as sub-Saharan Africa's second largest producer, after Nigeria.

But such "rich" developing countries have fears too, many of which were voiced this month in Luanda, the Angolan capital, at an oil and gas conference aimed at encouraging co-operation between African, Caribbean and Pacific (ACP) nations and the European Community.

ACP oil producers are worried that a lack of adequate training, a shortage of international investment capital, and global environmental pressures *may hamper their economic* development.

"Countries with large energy resources can't always extract the benefits," said Mr Fernando Jose Franca Van Dunen, the Angolan prime minister, in his opening address. "If they are not accompanied by technical transfers, and proper support, more problems, more economic disaster and more poverty can be provoked. Give us help in drawing up inventories of our resources, teach us to exploit them rationally and give us some mechanism so we can solve our balance of payments problems."

Antonio Cardoso e Cunha: Calls for EC assistance "did not fall on deaf ears"

At the same time, developing nations without natural energy resources – the majority of the 69 ACP countries – are concerned that in a capricious world oil market they may be hamstrung by their dependence on hydrocarbons. Their *anxiety is well-founded: accord*ing to the World Bank, sub-Saharan Africa spends about one-third of its hard currency earnings on petroleum.

Energy analysts say the concern should not be one-sided. The buzz-word of the Luanda conference – as at previous EC-ACP gatherings – was "interdependence". The developed north will simply store up trouble for itself for the future if it neglects the energy needs and concerns of the developing south, which – together with other non-OECD economies – is exercising an increasing influence over international energy policy. Mr Quincey Lumsden, a director of the International Energy Agency, warned delegates that in 10 years' time, important oil crisis management decisions could be taken beyond the industrialised nations' reach – not in Paris, where the IEA has it headquarters, but in Beijing, Brasilia or New Delhi.

The EC's ability to meet the concerns of ACP countries with direct action is limited by its existing political and financial commitments.

ACP oil and gas producers, for example, have long insisted that hydrocarbons should be eligible for special loans and export earnings stabilisation funds from the EC. Such assistance is at present provided for most commodities under the Ecu12bn (£8.4bn) Fourth Lomé Convention – the EC-ACP *trade and aid agreement* – but oil and gas are excluded.

Mr Antonio Cardoso e Cunha, the EC *energy commis*sioner, told the Luanda conference that such wishes – reiterated by Angola's Mr Van Dunen and by Mr Ralph Maraj, foreign minister of Trinidad and Tobago (the only non-African ACP oil producer) – "did not fall on deaf ears". But realistically, the European Commission is unlikely to press for changes in the Lomé terms to benefit a dozen developing nations that already have greater natural advantages than other ACP *members.*

However, senior commission officials believe existing community initiatives – applied both to EC members and to central and east European countries – do provide examples of ways in which the framework for energy development in ACP countries could be improved.

- Recent draft EC legislation to harmonise criteria for granting oil and gas exploration licences contains principles that could be applied to ACP countries. That would ensure equitable conditions for potential international investors, some of which complained at the conference that the contract terms being imposed by developing oil producers were too tough.
- The European energy charter – designed to help the former Soviet Union and eastern European states exploit their natural resources – could be extended or adapted to ACP *countries. As the continued* desire to invest in Angolan oilfields during the civil war indicated, international companies will continue to drill for oil *under the most difficult politi*cal circumstances. But an African energy charter would provide a level of security for international investors – and reciprocal guarantees for ACP and exploration companies – which would underpin economic development of the developing countries.

An ACP-EC working group is now likely to be set up to continue discussion of the issues raised by the Luanda conference. Improved training is one *fundamental problem* that needs to be tackled, particularly in countries, like Angola, that have suffered severe disruption of regular education. As one aide to the Angolan energy minister put it during the conference, for African oil producers "money is no problem – but there is a whole generation which has had little education or training".

Similarly, ACP countries are held back by inefficiency in the refining and distribution sectors. That pushes up costs in states that do not produce their own oil, and occasionally forces African exporters of crude to import petroleum products. Theoretical *solutions* do not always work in such cases: ACP delegates pointed out that the break-up of downstream state monopolies in procurement, *refining and distri*bution – one approach advocated by Mr Miguel Schloss of the World Bank – is not on its own enough to *encourage investment in* decaying infrastructure.

Perhaps the biggest issue the working group will have to tackle is the question of protecting the environment, which commission officials insisted should be a priority for the developing countries as it is now for most industrialised nations. ACP representatives were surprisingly reticent about the impact an EC energy tax might have on their future economic development. But there seems little doubt that if the commission's plans announced this month get the backing of EC members the poorer oil-hungry nations will break their silence.

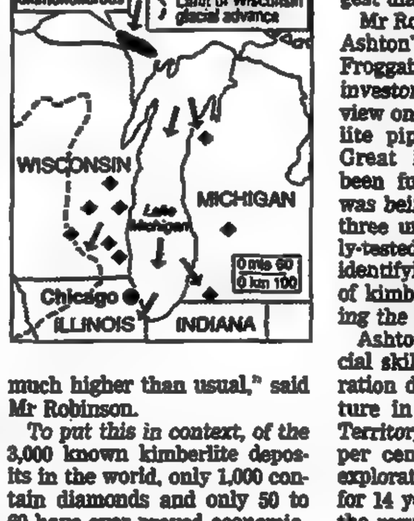
High hopes for Lake Michigan diamonds

By Kenneth Gooding, Mining Correspondent

AN AREA west of Lake Michigan in the states of Michigan and Wisconsin in the US has a good chance of yielding a world-class diamond mine, said Mr John Robinson, chief executive of Ashton Mining, yesterday.

Ashton is based in Australia but sees diamond mining as its core business and will go anywhere in the world to search for the stones. So the company grabbed with both hands an opportunity to buy 51 per cent of the Great Lakes diamond project from Dow Chemical, he said. The deal was completed in January.

Of the 14 kimberlite pipes *found by the previous joint* venturers in the project – Dow and Crystal Exploration – 12 had been tested an nine contained diamonds. "This means the probability of success is much higher than usual," said Mr Robinson.



To put this in context, of the 3,000 known kimberlite deposits in the world, only 1,000 contain diamonds and only 50 to 60 have ever proved economic.

Ashton draws most of its cash flow and profit from a 38.2 per cent share of the Argyle mine in Western Australia, in weight terms the world's biggest diamond producer.

Mr Robinson, in London with Ashton's chairman Sir Leslie Froggatt to talk to institutional investors, said that *in Ashton's* view only one of the 12 kimberlite pipes discovered by the Great Lakes venturers had been fully tested. So priority was being given to drilling the three untested and eight partly-tested pipes with a view to identifying the various phases of kimberlite present and testing the diamond content.

Ashton had also used its special skills to re-examine exploration data from its joint venture in Australia's Northern Territory where it has a 65.4 per cent interest and where exploration has been going on for 14 years. Mr Robinson said the results were very exciting. *"The whole perception of the* deposit has changed," he said. The company had now identified 11 large diamondiferous targets.

One loam sample collected recently from pipes located about 140 km (85 miles) north of the town of Coanjula contained a broken, commercial-sized diamond measuring 3mm by 2.7mm by 1.4mm.

Ashton also has gold mining interests and of the A$12m it will spend on exploration this year, most will go to look for the yellow metal.

- Mr Robinson suggested that De Beers' Central Selling Organisation, which controls 80 per cent of the world's rough (uncut) diamond trade and markets most of Argyle's gem diamonds, would not put up prices this year. The latest rough diamond price rise (of 5.5 per cent) was as long ago as March 1990. But the CSO would probably make an increase *early next year, he said.*

Rubber pact working group to be formed

The International Natural Rubber Organisation council has agreed to form a working group to pave the way for early talks on a new price stabilisation pact, officials said yesterday, reports Reuter from Kuala Lumpur.

A decision on whether to renegotiate the current International Natural Rubber Agreement would be made by end-March 1993, they said after a three-day council meeting.

"This is significant progress," said Mr Ahmad Farouk S.M. Ishak, of Malaysia, spokesman for producer members. "The consumers appreciated the seriousness of our position."

The present five-year pact, which operates through a buffer stock system, can be extended by a further two years beyond its scheduled expiry in December 1993.

WORLD COMMODITIES PRICES

MARKET REPORT

The New York raw SUGAR market rallied in early trading on technically driven fund buying, boosting the London raws and whites markets. Buy-stops were triggered, forcing dealers to cover short positions, as the New York July contract shot up towards the crucial 10 cents a lb resistance level. "Funds really came in above 9.65 and every 10 points it went up found stops – the locals kept buying it, funds kept buying it, and then trade had to cover shorts," one dealer said. Substantial buying by UK trade houses was reported. "We thought we might get a blip on the upside but not the activity we've seen," said one London dealer. In contrast COCOA came under further pressure in both London and New York, where by midday July had hit $855 a tonne – a contract low and the cheapest level for the market in 19 years. Limited offtake from manufacturers has combined with the prospect of further producer sales to depress the market, dealers said. On the LME base metals were mainly influenced by the dollar-sterling exchange rate. ALUMINIUM was most affected by the dollar's firmness and its likely dampening impact on consumer interest.

Compiled from Reuters

London Markets

New York

Chicago

LONDON STOCK EXCHANGE

Footsie retreats to close below 2,700

By Steve Thompson

WORRIES about the prospect of more casualties in the commercial property market, the lingering and depressing effect of Tuesday's poor trade figures, and a clutch of cautious statements from company chairmen proved too much for share prices on the London market.

Additionally weakened by the effects of a poorly performing Footsie future and a weak Wall Street overnight and Tokyo, the FT-SE 100-share index fell steeply early in the session before staging a good comeback towards the close, when Wall Street began to move ahead in response to a firm showing by the dollar and US Treasury Bonds.

The Footsie ended the day 6.0 lower at 2,698.6, the first time it has closed below 2,700 since May 15 when international markets were rocked by news that Olympia & York, owner and developer of Canary Wharf, had sought protective bankruptcy in Canada.

Share prices were given harsh treatment by marketmakers at the start of the session. Responding to a sharp decline in the June Footsie future, which retreated to a discount against fair value and prompted hefty selling of the underlying stocks by index arbitrageurs. Selling pressure, however, was well absorbed, despite the poor backdrop.

At its worst, only minutes after trading commenced, the Footsie was down over 16 points. Thereafter the index moved in a narrow range before embarking on a good rally after Wall Street came in better than expected.

Dealers were heartened by a steep increase in the level of turnover which reached 639.5m shares compared with Tuesday's 404.3m, translating into customer business of only £879.3m, the lowest by value since the general election.

The increased activity was attributed to a burst of programme trading with at least three trades being executed during the day. The biggest of these, a mixed programme, estimated by dealers to have been valued well in excess of £100m was said to have been operated around lunchtime by one of the big UK integrated securities houses.

A number of specialists were satisfied at the market's performance, against the underlying backdrop. "I'm very impressed at its resilience, given that the future's weakness would have put plenty of stock into the market; we've come through in good shape," said one. Others were not so convinced, pointing to the disappointing building society lending statistics released yesterday which indicated the economy remains depressed. Institutions were said to have been looking hard at good quality defensive stocks, such as food retailers. Oil shares continued to gain ground, led by Lasmo, the Footsie's best individual performer. County NatWest carried out a big placing of stock in United Friendly, the life assurance group.

Mr Trevor Laugharne, equity strategist at Kleinwort Benson, adopted a cautious line in the broking firm's latest UK Action Weekly; "Without a sizeable piece of news (bid, quality rights issue) to move it one way or the other the general lacklustre feeling could translate into very low volumes and a gently falling trend over the next account."

Account Dealing Dates

***First Dealings:**	May 11	Jun 1	Jun 15
Option Declarations:	May 28	Jun 11	Jun 25
Last Dealings:	May 29	Jun 12	Jun 26
Account Day:	Jun 8	Jun 22	Jul 6

*New-time dealings may take place from 8.30 am two business days earlier.

Guinness falls after warning

A GLOOMY annual statement from Guinness sent the shares reeling. The chairman, Mr Anthony Tennant, said growth would not match that "of a few years back" and added that there was little sign of recovery in many of the company's markets. The shares, down 19 at one stage, partially recovered to finish 9 off at 576p after turnover of 5.6m.

In spite of this despondent tone, Mr Christopher Wickham at Lehman Brothers remained bullish of the stock, pointing out that the US and UK are not Guinness's only markets. He suggested there was nothing particularly new in Mr Tennant's remarks, but noted that the company could expect very good growth in the expanding drinks markets of Asia and South America.

Life insurer United Friendly was heavily traded as the group's pension fund sold 12.9m "B" shares. The sale was prompted by legislation that came into force in January and demands that investment by a pension fund in its own company is limited to 5 per cent of the fund's assets.

The majority of the shares were placed with institutions by County NatWest at 365p apiece and the remaining 1.8m were sold to trustees of the group's share option scheme. County said the placing was anticipated and well received and United shares jumped 12 to 372p. The move followed a similar placing two weeks ago in Britannic, which yesterday gained 2 to 930p.

Utilities may move under the spotlight today as Scottish Power and two water companies publish their results. The Scottish generator gained 2 to 183p on high turnover of 4.1m shares, in expectation of a big rise in profits, but sector analyst Ms Liz Christie at Goldman Sachs said the upside potential is not there.

It was pointed out in the market that because of earlier criticism about underpriced utilities the government had set the yield for the Scottish companies much lower, and that Scottish Power's price/earnings ratio is a good deal higher than the sector average.

South of the border generators National Power and PowerGen put on 5 to 231p and 3½ to 239p respectively as the power companies proved a firm feature in a generally depressed equity market. Volume of 4.6m shares in National Power and 3m in PowerGen was also very strong.

BZW was bullish of South West Water, which improved 8 to 446p, but North West Water was steady at 438p, with today's figures from the two companies the first in the reporting season. Ms Angela Whelan at BZW said South West was favoured on expectation of good dividend growth after a sensitive regulatory period, moving the yield nearer to the sector average.

Oils stood out in a dull market as the price of Brent crude held above $20 a barrel and securities house Kleinwort Benson predicted that it would reach $22 to $23 in the second half of the year. Opec's decision to roll over its current oil output limits into the third quarter of the year will upset the supply-demand balance and tighten the market, Kleinwort added.

Shell rose 5 to 525p, while BP firmed 2 to 274p on 23m shares traded. Among the exploration companies, Lasmo was the strongest performer in the FT-SE 100 index, advancing 6 to 213p. It was further helped by appreciation that it intends to offload its downstream assets purely by way of an initial public offering. Enterprise moved ahead 9 to 439p.

Second-line oil companies also performed well, with Ranger prominent after announcing successful tests at an exploration well off Aberdeen. The stock forged ahead 19 to 418p.

Midland Bank gained 5 to 409p, reflecting the rising price of shares in interested bidders HSBC Holdings and Lloyds Bank (up 5 at 432p). TSB eased 2 to 142p in heavy turnover of 6.2m shares on rumours of a broker downgrade.

Property worries continued to overhang Barclays, which fell 9 to 374p.

A sell recommendation on Prudential issued by Robert Fleming contributed to weakness in the stock, which ended 5 off at 254p.

Warnings from Blue Circle that its cement business was down 10 per cent for the first four months of the year prompted some analysts to downgrade the building materials group. BZW shaved £10m from both its current year and following year forecasts to £120m and £140m respectively. The shares shed 8 to 256p.

Positive sentiment continued in Vodafone Group, which last week gained ground after underperforming the sector, and as fears receded about a possible price war with BT over cellular phones. Yesterday, the shares added 6 at 394p in heavy volume of 8m. Cable and Wireless was also firm, up 5 at 588p, in anticipation of Hong Kong Telecom's results today.

Television and film production company Carlton moved up 19 to 667p, reflecting half-year results slightly ahead of expectations. Profits for the six months ending in March rose to £49.4m from £46.3m previously and against forecasts of £48m to £48.8m. Carlton also raised its interim dividend to 6.7p from 6.1p.

Retailer Body Shop slipped 7 to 318p in spite of profits rising, in line with market expectations, to £25.2m from £20m. Mr Andy Hughes, retail analyst at Nomura, changed his recommendation to hold from sell, on expectations of a slightly better performance in the UK this year and a possible doubling of profits in the US.

BOC Group fell 12 to 680p, with talk of a share overhang, and scattered selling in the chemicals sector, hitting the stock. Courtaulds also suffered, retreating 11 to 571p.

Worries over fuel costs dented British Airways, off 7 at 300p. Negative talk from one contractor in the TML Channel tunnel consortium continued to hang over Eurotunnel, which weakened 10 to 360p. P & O tumbled 13 to 529p on property worries.

Reckitt & Colman slipped initially on comments by the chairman that the group saw no sign of an upturn in its main markets. The shares were off 12 at one stage but recovered to close only a penny down at 637p.

Fisons bounced 8 to 357p, with optimism about reapproval for its Opticrom eye treatment in the US gaining ground.

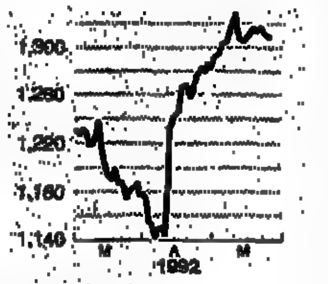
Fairline Boats fell sharply after the company reported a £613,000 half-time loss, versus a previous profit of £2.1m, and a halved interim dividend. The shares plummeted 103 to 325p.

An agency cross boosted turnover in business services group Hays. A line of 3.6m was crossed at 204p a share and the stock closed firmer at 204½p.

MARKET REPORTERS:
Colin Millham, Peter John, Christopher Price.

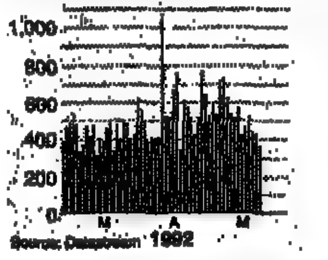
■ Other market statistics, Page 22.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (108).

BRITISH FUNDS (2) Consols 4pc, Funding 3½pc '99-04, **OTHER FIXED INTEREST** (1) Hydro Quebec 15pc 2011, **AMERICANS** (1) Texaco, **CANADIANS** (1) Gulf Canada, **BANKS** (1) Bank of Scotland 9¼pc Prf, **BREWERS** (3) Greene King, Marston Thompson, Paramount, **BLDG MATLS** (2) Erwin, Heywood Williams, **BUSINESS SERVS** (6) Capita, CRT, Hays, MITIE, NMW, Penna, **CHEMS** (3) BTP, Evode 7p Prf, Plysu, **CONGLOMERATES** (1) Jardine, **CONTG & CONSTRCN** (2) Boot (H), Tilbury Douglas, **ELECTRICALS** (3) Bulgin A, Denmans, Scholes, **ELECTRONICS** (9) Amstrad, Cray, Feedback, Hoskyns, ISA Intl, MTL Instruments, Misys, Multitone, Tunstall, **ENG AERO** (1) Ipeco, **ENG GEN** (8) Beauford 7p Prf, Bullough, Dobson Park, Fairey, Ferrum, Pissmec, Prospect, Protean, Siebe, **HEALTH & HSEHOLD** (2) JS Pathology, Jeyes, **HOTELS & LEIS** (3) Boosey & Hawkes, Photo-Me, Wembley, **INSCE LIFE** (1) Liberty Life Assoc of Africa, **INV TRUSTS** (13) CST Emg Asia, China & Eastern, Drayton Blue Chip Zero, Dundee & London, Equity Cons Dfd, Exeter Pfd Cap, Fleming Claverhouse, Hong Kong, Lowland, Melville Street, Do Wrrnts, Mezzanine Cap, Tor Inv, **MEDIA** (4) Blenheim, Carlton Comms, Goodhead, Johnston Press, **MERCHANT BANKS** (2) Barings 9¼pc Prf, Hambros, **MISC** (7) Bluebird Toys, Cosalt, Great Southern, Headlam, Hornby, Relyon, Tama (John), **MOTORS** (4) Avon Rubber, Dagenham, Henlys, Perry, **OIL & GAS** (7) Chevron, Exxon, Norsk Hydro, Occidental Pet, Royal Dutch, Schlumberger, Shell, **OTHER FINCL** (5) Aberdeen Tst, Burlington, FNFC 6.3pc Prf, MAI, Swire Pacific, **OTHER INDL MATLS** (2) Expamet, Servomex, **PACKG, PAPER & PRNTG** (1) Smith (D S), **PROP** (6) Daejan, Land Securities, Do 10pc 2030, Do Deb 2027, London Merchant, Molyneux, **STORES** (1) Tie Rack, **TEXTS** (2) Claremont Garments, House of Lerose, **TRANSPORT** (1) Tibbett & Britten, **WATER** (2) Mid Kent, South Staffs, **MINES** (1) Antofagasta

NEW LOWS (32).

BRITISH FUNDS (1) Conv 9pc 2000 C, **AMERICANS** (2) Morris (Philip), Waste Mngmt, **CANADIANS** (1) Muscocho, **BANKS** (1) Westpac, **BLDG MATLS** (1) Explaura, **BUSINESS SERVS** (1) Proudfoot (A), **ENG GEN** (2) Haden MacLellan, Verson Intl, **FOOD MANUF** (1) Carr's Milling, **HEALTH & HSEHOLD** (1) Huntingdon Intl, **HOTELS & LEIS** (3) Castle Comms, Fairline Boats, Farringford, **TRUSTS** (3) Abtrust Scotland, Selective Assets, Throgmorton Dual, **MISC** (1) Stonehill, **OIL & GAS** (1) Aviva, **OTHER FINCL** (1) Mitsubishi, **OTHER INDL MATLS** (1) Kelsey, **PROP** (3) Merivale Moore, Power Corp, Property 1st, **STORES** (2) Alexon, French Connection, **TRANSPORT** (2) Norex, Ocean, **MINES** (4) Dominion, Normandy Poseidon, Plateau, Western Areas

FINANCIAL TIMES STOCK INDICES

	May 27	May 26	May 22	May 21	May 20	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.56	89.54	89.58	89.46	89.37	84.35	[illegible] (22/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.48	105.43	105.39	105.16	104.87	93.63	105.48 (27/5)	97.15 (2/1)	105.48 (27/5/92)	50.53 (3/1/75)
Ordinary Share ●	2120.4	2133.4	2149.7	2141.9	2147.5	1948.9	2149.7 (22/5)	1851.4 (3/4)	49.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	110.3	109.9	111.9	112.6	111.9	172.0	160.6 (10/1)	106.8 (29/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2698.6	2704.6	2715.0	2702.0	2711.9	2492.9	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1242.26	1247.63	1246.12	1238.19	1240.96	1173.03	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.37	4.34	4.32	4.34	4.32	4.90				
●Earning Yld %(full)	6.43	6.39	6.35	6.38	6.37	8.60				
●P/E Ratio(Net)(☆)	19.45	19.58	19.70	19.62	19.65	14.32				
SEAQ Bargns 5.00pm	28,571	29,637	31,464	28,963	30,806	25,021				
Equity Turnover(£m)†	-	879.7	937.8	962.8	1203.0	888.23				
Equity Bargains†	-	33,683	34,674	33,114	34,504	24,059				
Shares Traded (ml)†	-	380.0	436.3	440.2	528.3	376.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ● Nil 18.04

Ordinary Share Index, Hourly changes Day's High 2123.8 Day's Low 2115.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2123.1	2121.8	2122.9	2119.4	2117.5	2115.8	2116.0	[illegible]	2120.2

FT-SE 100, Hourly changes Day's High 2698.6 Day's Low 2688.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2696.6	2694.7	2693.1	2691.7	2690.2	2691.2	2691.8	2695.3	2696.8

FT-SE Eurotrack 200, Hourly changes Day's High 1243.34 Day's Low 1240.46

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1241.59	1241.82	1240.93	1241.41	1241.29	1242.25	1242.54

GILT EDGED ACTIVITY

Indices*	May 26	May 22
Gilt Edged Bargains	83.2	105.9
5 – Day average	134.2	145.1

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index Tel 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2	485	-10	Comm. Union	1,000	498	-3	Lucas	1,700	147	+1	Shell Transport	7,100	525	+5
ASDA Group	1,000	33	-1	Cookson	2,400	185	-1	MB Caradon	628	297	-2	Siebe	765	731	+7
Abbey National	3,800	305	-4	Courtaulds	1,000	571	-11	MEPC	395	353	+2	Slough Ests	218	196	-3
Albert Fisher	615	78		Dalgety	1,000	418	-12	Manweb	309	355	-3	Smith (W H) A	242	471	-5
Allied-Lyons	2,300	582	-6	De La Rue	374	811	-4	Marks & Spencer	2,900	344	-2	Smith & Nephew	6,600	164	-3½
Amstrad	3,000	42	+2	Dixons	7,300	297	-2	Midland Bank	[illegible]	409	+5	SmKl Beecham	2,600	898	-10
Anglian Water	774	427		ECC Group	1,300	572	-7	Midlands Elect	123	299	-7	SmKl Beecham Uts.	709	[illegible]	-53
Argos	1,100	268	-1	Eastern Elect	1,800	278	-6	NFC	1,100	277		Smiths Inds.	1,000	334	-4
Argyll Group	4,200	353½	+4½	East Midland Elec.	1,100	301	-2	NatWest Bank	3,700	384		Southern Elect	2,000	301	-2
Arjo Wiggins	1,100	252	-2	Enterprise Oil	2,200	439	+9	National Power	4,600	231	+5	South Wales Elect.	18	350	-5
Ass. Brit. Foods	394	439	-4	Eurotunnel Units	572	360	-10	Next	2,000	93	-½	South West Water	708	446	+8
Ass. Brit. Ports	610	418	+2	FKI	2,800	79	-1	North West Water	802	438		South West Elect	58	306	-7
BAA	1,300	643		Fisons	3,000	357	+8	Northern Elect	417	324	-8½	Southern Water	159	415	+5
BAT Inds	2,000	785	-3	Forte	1,800	239	+2	Northern Foods	330	612	-3	Standard Chartd.	1,300	466	-12
BET	2,600	150	-7	Gen. Accident	1,400	489	-6	Norweb	375	339	-7	Storehouse	1,900	138	-2
BICC	515	389	-2	General Elect	3,200	225	+½	Pearson	467	856		Sun Alliance	1,300	307	-4
BOC	1,900	680	-12	Glaxo	3,200	782		P & O	1,400	529	-13	T&N	1,400	182	
BPB Inds.	4,800	191	-4	Glynwed Intl.	271	375	-1	Pilkington	1,500	157		TI Group	1,100	467	
BTR	[illegible]	485	-5	Granada	2,500	278	-3	PowerGen	3,000	239	+3½	TSB	6,200	142	-2
Bank of Scotland	1,500	117		Grand Met	2,400	490	-5	Prudential	3,900	254	-5	Tarmac	3,000	141	-5
Barclays	4,400	374	-9	GUS A	365	1518	-17	RHM	[illegible]	275	+1	Tate & Lyle	[illegible]	394½	-½
Bass	1,200	636	-8	GRE	2,700	151	-3	RMC	313	643	-2	Taylor Woodrow	908	129	-5
Berisford Intl.	1,300	23	-½	GKN	692	430	-6	RTZ	1,700	637	-12	Tesco	10,000	263½	+1½
Blue Circle	2,800	256	-8	Guinness	5,600	576	-9	Racal	4,700	60	-1	Thames Water	1,000	430	
Booker	433	472	+8	Hammerson 'A'	249	373	-3	Rank Org.	447	758	-2	Thorn EMI	1,200	845	-3
Boots	4,500	480	+2	Hanson	6,700	227½		Reckitt & Colman	2,100	637	-1	Tomkins	755	490	+2
Bowater	473	841	-7	Hanson Warrants	3,100	27¼	-½	Redland	1,800	528	-3	Trafalgar House	2,200	138	-2
Brit. Aerospace	1,900	360	-13	[illegible]	5,200	153	-1	Reed Intl.	1,300	555½	-3½	Unigate	817	344	-6
British Airways	10,000	300	-7	Hillsdown	4,200	174	-5	Rentokil	1,400	172	+3	Unilever	862	909	-9
British Gas	9,800	284	+7	[illegible]	684	301½	-2½	Reuters	672	1180	-14	United Biscuits	2,300	405	+4
British Land	760	214	+2	ICI	1,100	1347	-4	Rolls Royce	4,800	148¼	+1½	Utd. Newspapers	1,200	438	-4
BP	23,000	274	+2	Inchcape	2,600	497	-4	Rothmans	613	1109	-9	Vodafone	8,000	394	+6
British Steel	4,500	82½	+1	Kingfisher	1,100	573	-2	Ryl Bk Scotland	[illegible]	197	+1	Warburg (SG)	1,000	586	+2
British Telecom	4,800	359½	-½	Kwik Save	135	619		Royal Insurance	2,000	238	+1	Wellcome	581	988	
Br Telecom New	5,600	138¼	-1	Ladbroke	3,300	245	+1	Saatchi	2,400	21½	-½	Welsh Water	356	474	+1
Bunzl	1,000	115	-1	Land Securities	660	443	-1	Sainsbury	2,600	457½	+1½	Wessex Water	354	500	-1
Burmah Castrol	465	633	-8	Laporte 1992	700	628	-11	Scottish & New	1,600	463	-2	Whitbread 'A'	641	473	-1
Burton	4,000	57	-½	Legal & General	672	395	-5	Scot. Hydro-Elect.	1,300	193	+1½	Williams Hldgs.	[illegible]	342	-4
Cable & Wire	2,400	588	+5	Lloyds Abbey	687	425	-8	Scottish Power	4,100	183	+2	Willis Corroon	966	284	+2
Cadbury Schweppes	2,300	476	-2	Lloyds Bank	2,300	432	+5	Sears	10,000	92	+1	Wimpey	346	182	-1
Calor Group	800	197	+3	LASMO	5,300	213	+6	Sedgwick	920	222	+2	Wolseley	384	451	-3
Carlton Comms	1,700	667	+19	London Elect	2,400	320	-6	Seeboard	768	324	+1	Yorkshire Elect	2,400	388	-9
Coats Viyella	1,800	217	-2	Lonrho	3,500	95	-2	Severn Trent Water	1,100	387	-1	Yorkshire Water	445	462	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

LATE buying and a firmer Wall Street lifted stock index futures yesterday in moderate volume, writes Christopher Price.

The June contract started with a hangover from Tuesday's poor trade figures, trailing down from its opening level of 2,705. There was little buying during the morning session and June traded, at best, at its estimated fair value premium of 9 points, and often a few points below, reaching its low point of the day – 2,694 – at mid-day.

However, June's decline brought renewed buying and the afternoon session brightened the day's trading. Sentiment was helped by a steadier Wall Street, underpinned by stronger US bonds. June rose gently through the afternoon, but with a late surge developing towards the close.

It ended at 2,707, six points down on the previous session and around fair value. Volume was a moderate 7,698 lots. In after-hours' trading, June continued to improve, with traders predicting a positive start to today's session.

In traded options, stocks with contract expiry dates yesterday were popular as traders sought to close positions. Hanson was the most heavily traded with 3,257 contracts, followed by Lucas with 3,004 and British Airways with 1,694. Total volume was 37,651 lots, up from Tuesday's 28,293.

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday May 27 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue May 26 Index No.	Fri May 22 Index No.	Thu May 21 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	913.51	-0.6	6.48	5.09	20.09	14.90	918.93	925.01	926.77	818.94
2 Building Materials (22)	1087.29	-1.0	5.09	5.44	27.29	19.03	1097.92	1102.83	1104.85	1046.34
3 Contracting, Construction (28)	1044.34	-0.6	3.47	5.78	60.86	23.82	1050.95	1054.29	1057.64	1274.92
4 Electricals (8)	2744.50	-0.4	6.74	5.37	19.28	68.82	2755.27	2758.50	2758.07	2350.38
5 Electronics (29)	1991.16	....	9.00	4.27	14.08	5.05	1991.69	2020.69	2020.06	1754.81
6 Engineering-Aerospace (7)	393.66	-0.5	8.90	6.60	14.25	11.16	395.52	401.59	405.99	420.55
7 Engineering-General (44)	566.65	....	7.33	4.15	16.92	7.02	566.89	567.21	567.33	438.07
8 Metals and Metal Forming (8)	375.30	+0.5	0.07	9.20	–	2.03	373.32	374.79	374.62	440.70
9 Motors (14)	396.30	-0.2	6.73	5.93	19.51	9.96	397.08	401.85	403.06	323.25
10 Other Industrial Materials (19)	1866.99	-1.1	6.65	4.44	18.11	33.79	1888.16	1898.64	1902.23	1487.22
21 CONSUMER GROUP (188)	1720.45	-0.4	7.09	3.34	17.30	16.67	1727.33	1734.42	1727.44	1464.18
22 Brewers and Distillers (24)	2207.60	-1.0	7.60	3.36	15.82	16.84	2228.77	2234.06	2227.34	1817.32
25 Food Manufacturing (17)	1279.87	-0.7	8.31	4.10	14.89	20.33	1288.35	1294.15	1298.45	1165.58
26 Food Retailing (18)	2866.91	+0.2	8.51	3.18	15.26	20.23	2860.99	2876.66	2901.76	2756.98
27 Health and Household (24)	4139.41	-0.3	6.66	2.56	17.10	35.84	4149.97	4161.31	4114.19	3427.42
29 Hotels and Leisure (20)	1419.15	+0.2	5.80	4.80	21.95	23.50	1416.73	1423.76	1425.83	1291.12
30 Media (25)	1648.62	-0.3	5.79	3.33	21.44	18.07	1653.35	1672.76	1677.22	1432.37
31 Packaging, Paper & Printing (17)	846.78	-0.7	6.07	3.90	19.89	11.55	852.34	856.96	858.78	665.19
34 Stores (33)	1117.01	-0.4	6.78	3.28	19.53	6.71	1121.50	1124.67	1107.54	895.16
35 Textiles (10)	748.80	-0.4	6.14	4.15	20.54	10.52	751.56	753.23	749.08	524.75
40 OTHER GROUPS (116)	1337.36	-0.3	9.12	4.86	13.76	14.24	1341.51	1355.00	1345.05	1227.71
41 Business Services (17)	1487.22	-0.8	6.56	4.28	19.20	14.66	1499.02	1505.75	1496.40	1219.79
42 Chemicals (22)	1572.02	-0.7	6.79	4.64	18.06	24.37	1583.62	1589.61	1586.83	1354.77
43 Conglomerates (11)	1417.39	-0.3	9.11	6.70	13.70	11.37	1421.44	1442.25	1427.68	1463.42
44 Transport (14)	2729.78	-1.1	6.81	4.24	17.96	30.47	2761.40	2788.86	2776.28	2192.20
45 Electricity (16)	1305.22	....	13.46	4.99	9.69	17.21	1305.96	1323.09	1317.92	1232.93
46 Telephone Networks (4)	1495.37	+0.3	10.25	4.35	12.73	16.02	1491.58	1505.86	1480.57	1483.94
47 Water (10)	2884.85	+0.2	14.78	5.51	7.45	0.00	2880.12	2915.00	2917.21	2453.81
48 Miscellaneous (22)	2102.87	-0.5	5.61	4.69	23.53	21.83	2113.62	2140.17	2141.02	1856.34
49 INDUSTRIAL GROUP (483)	1399.83	-0.4	7.61	4.15	16.40	15.74	1405.55	1414.63	1409.31	1232.37
51 Oil & Gas (17)	2217.38	+1.4	6.04	6.41	19.21	63.63	2187.05	2136.10	2099.50	2337.57
59 500 SHARE INDEX (500)	1476.21	-0.2	7.53	4.39	16.66	19.30	1479.49	1483.81	1476.93	1326.93
61 FINANCIAL GROUP● (86)	783.83	-0.5	–	5.80	–	17.10	787.98	797.45	800.89	801.41
62 Banks (9)	992.76	-0.5	4.86	5.50	32.56	24.58	997.46	1010.32	1015.36	909.65
65 Insurance (Life) (6)	1548.92	-1.3	–	5.75	–	44.26	1570.04	1590.86	1613.38	1454.50
66 Insurance (Composite) (7)	543.81	-0.9	–	6.40	–	13.46	548.90	558.43	559.35	669.61
67 Insurance (Brokers) (10)	999.60	+0.4	7.80	6.71	16.35	21.48	995.34	996.01	1001.80	1076.01
68 Merchant Banks (7)	517.92	+0.3	–	4.11	–	4.25	516.11	521.89	520.33	422.16
69 Property● (32)	720.41	-0.2	0.19	6.40	16.42	6.75	722.06	729.56	728.76	951.97
70 Other Financial (15)	271.17	-0.2	6.66	6.38	20.36	3.12	271.79	271.22	271.09	283.96
71 Investment Trusts (70)	1259.62	. ..	–	3.55	–	15.07	1260.06	1261.15	1261.42	1204.09
99 ALL-SHARE INDEX● (656)	1310.67	-0.3	–	4.53	–	18.45	1314.00	1319.18	1314.63	1199.48

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 26	May 22	May 21	May 20	May 19	Year ago
FT-SE 100 SHARE INDEX‡	2698.6	-6.0	2698.6	2688.4	2704.6	2715.0	2702.0	2711.9	2700.6	2492.9

FIXED INTEREST

	PRICE INDICES	Wed May 27	Day's change %	Tue May 26	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (25)	123.35	+0.02	123.33	2.43	4.62
2	5-15 years (24)	140.08	+0.04	140.02	2.53	5.45
3	Over 15 years (10)	153.22	+0.13	153.01	3.41	3.39
4	Irredeemables (6)	168.26	+0.17	167.98	1.06	6.11
5	All stocks (65)	137.54	+0.05	137.47	2.62	5.04
	Index-Linked					
6	Up to 5 years (2)	172.29	-0.01	172.30	0.60	1.83
7	Over 5 years (9)	151.94	-0.09	152.07	1.09	1.64
8	All stocks (11)	153.57	-0.08	153.68	1.02	1.65
9	Debs & Loans (63)	122.53	-0.03	122.57	2.32	4.82

	AVERAGE GROSS REDEMPTION YIELDS		Wed May 27	Tue May 26	Year ago (approx.)
	British Government				
1	Low	5 years	7.97	7.96	9.20
2	Coupons	15 years	8.81	8.83	9.79
3	(0%-7¾%)	20 years	8.82	8.83	9.94
4	Medium	5 years	9.09	9.08	10.33
5	Coupons	15 years	8.88	8.89	10.23
6	(8%-10¾%)	20 years	8.85	8.86	10.16
7	High	5 years	9.28	9.28	10.50
8	Coupons	15 years	9.01	9.02	10.40
9	(11%-)	20 years	8.96	8.97	10.29
10	Irredeemables	†	9.02	9.03	10.20
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.01	4.00	4.07
12	Inflation rate 5%	Over 5 yrs.	4.37	4.37	4.19
13	Inflation rate 10%	Up to 5 yrs.	3.29	3.27	3.17
14	Inflation rate 10%	Over 5 yrs.	4.19	4.18	4.00
15	Debs &	5 years	10.39	10.38	11.88
16	Loans	15 years	10.15	10.13	11.65
17		25 years	10.05	10.04	11.45

‡Opening index 2696.6; 9 am 2694.7; 10 am 2693.1; 11 am 2691.7; Noon 2690.2; 1 pm 2691.2; 2 pm 2691.8; 2.30 pm 2694.4; 3 pm 2695.3; 4.10 pm 2696.9; (a) 4.28pm (b) 8.41am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel. 071-925 2323. CONSTITUENT CHANGES: DELETION Mountleigh (69) ●Corrected indices for 26 May: Financial Group 787.98; Property 722.06; All-Share Index 1314.00

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
3pc 1992		99[illegible]xd	—	99[illegible]	97[illegible]	3.01	–
Exch 12¼pc 1992		100[illegible]	—	101¼	100[illegible]	12.18	9.66
13½pc 1992		101[illegible]	—	102¼	101[illegible]	13.35	9.67
Treas 8¼pc 1993		99[illegible]	—	99¼	97[illegible]	8.31	9.27
10pc 1993‡‡		100½	—	100½	99[illegible]	9.95	9.37
12½pc 1993‡‡		103[illegible]	—	103[illegible]	101[illegible]	12.12	9.47
Funding 6pc 1993‡‡		96[illegible]	—	96[illegible]	95[illegible]	6.19	9.45
Treas 13¾pc 1993‡‡		106[illegible]	—	106[illegible]	104⅞	12.98	9.36
8½pc 1994		98[illegible]	—	98[illegible]	96⅞	8.65	9.13
14½pc 1994‡‡		109[illegible]	-[illegible]	109¼	106[illegible]	13.40	9.34
Exch 13½pc 1994		107[illegible]	—	107[illegible]	105[illegible]	12.58	9.27
Treas 10pc Ln. 1994‡‡		101[illegible]xd	—	101[illegible]	98[illegible]	9.86	9.20
Exch 12½pc 1994		106⅝	—	106[illegible]	103[illegible]	11.76	9.28
Treas 9pc 1994‡‡		98¾	—	98¾	96⅜	[illegible]	9.10
12pc 1995		106⅞	—	106⅞	103⅞	11.30	9.23
Exch 3pc Gas 90-95		91	—	91	88¼	3.30	6.40
10¼pc 1995		102[illegible]	—	102[illegible]	99[illegible]	9.97	9.22
Treas 12¾pc 1995‡‡		110[illegible]	—	110[illegible]	106⅝	11.55	9.19
14pc 1996		114	-[illegible]	114[illegible]	110[illegible]	12.28	9.38
9pc 1992-96‡‡		100	—	100	96[illegible]	9.00	8.99
15¼pc 1996‡‡		118[illegible]	—	118[illegible]	114[illegible]	12.82	9.37
Exch 13¼pc 1996‡‡		112[illegible]	—	112¾	108½	11.79	9.34
Conversion 10pc 1996		103¼	-[illegible]	103[illegible]	98[illegible]	9.78	9.11
Treas 13¼pc 1997‡‡		114[illegible]	—	114⅝	110[illegible]	11.67	9.34
Exch 10½pc 1997		105¼	—	105[illegible]	100[illegible]	9.99	9.08
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98[illegible]	—	98⅞	94	8.88	9.01
8¾pc 1997 D		89½	—	88[illegible]	84⅞	8.88	9.01
Exch 15pc 1997		123[illegible]	—	123[illegible]	118[illegible]	12.16	9.39
9¾pc 1998		102⅞	—	102[illegible]	97[illegible]	9.48	9.07
Treas 6¾pc 1995-98‡‡		92¼	—	92¼	88[illegible]	7.29	8.32
15½pc '98‡‡		[illegible]	—	125¼	123[illegible]	12.06	9.28
Exch 12pc 1998		113[illegible]	—	113[illegible]	107[illegible]	10.57	9.16
Treas 9½pc 1999‡‡		102[illegible]	—	102⅞	97[illegible]	9.24	8.92
Exch 12¼pc 1999		116[illegible]	+[illegible]	116⅛	109½	10.52	9.17

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		107[illegible]	—	107[illegible]	101[illegible]	9.78	9.08
Conversion 10¼pc 1999		106[illegible]	—	106[illegible]	100[illegible]	9.64	9.07
9pc 2000‡‡		100[illegible]	-[illegible]	100[illegible]	94⅝	8.96	8.90
9% 2000 C		39[illegible]	-[illegible]	40	39[illegible]	9.01	8.88
Treas 13pc 2000		120⅞	-[illegible]	121[illegible]	114[illegible]	10.75	9.28
10pc 2001		106[illegible]	—	106⅝	99[illegible]	9.44	8.99
14pc '98-01		120[illegible]	+[illegible]	120[illegible]	115[illegible]	11.59	9.37
9¾pc 2002		106⅞	—	106⅞	99⅞	9.27	8.97
9¾pc 2002 C		106[illegible]	—	106[illegible]	99[illegible]	9.22	8.97
10pc 2003		107[illegible]	+¼	107[illegible]	100[illegible]	9.32	8.98
10pc 2003 B		60¼	+¼	60[illegible]	58[illegible]	9.30	8.98
Treas 11½pc 2001-04		119[illegible]	—	119[illegible]	107[illegible]	[illegible]	9.21
Funding 3½pc '99-04		68[illegible]	+[illegible]	68[illegible]	58[illegible]	[illegible]	7.92
Conversion 9½pc 2004		104[illegible]	+[illegible]	104¼	96[illegible]	9.13	8.94
9½pc 2005		104[illegible]	+[illegible]	104[illegible]	96[illegible]	9.11	8.93
Treas 12½pc 2003-05		124[illegible]	—	124⅝	116[illegible]	10.06	9.05
8pc 2002-06‡‡		92½	+[illegible]	92⅝	85½	8.66	8.93
Over Fifteen Years							
Treas 11¾pc 2003-07		118[illegible]	+[illegible]	118[illegible]	110[illegible]	9.94	9.05
8½pc 2007‡‡		96[illegible]	+[illegible]	97[illegible]	89[illegible]	8.77	8.87
8½pc 2007 A		96[illegible]	+[illegible]	97[illegible]	89[illegible]	8.77	8.87
13½pc '04-08		131[illegible]	—	132[illegible]	123[illegible]	10.24	9.05
9pc 2008‡‡		101[illegible]	+[illegible]	101[illegible]	93[illegible]	8.88	8.81
8pc 2009		92[illegible]	+[illegible]	93	85[illegible]	8.62	8.60
Conv 9pc Ln 2011‡‡		101[illegible]	+[illegible]	101[illegible]	93[illegible]	8.85	8.82
9pc 2011 B		101[illegible]	+[illegible]	101[illegible]	93[illegible]	8.86	8.82
Treas. 9pc 2012		101[illegible]	+[illegible]	101⅞	93[illegible]	8.85	8.81
Treas 5½pc 2008-12‡‡		69	+[illegible]	69[illegible]	62⅞	7.97	8.60
7¾pc 2012-15‡‡		89¼	+[illegible]	89[illegible]	81[illegible]	8.67	8.64
Exch 12pc '13-'17		128[illegible]xd	+[illegible]	128[illegible]	120¼	9.35	8.87
Treas 8¾pc 2017		30[illegible]	—	30	27¼	8.86	8.75
Undated							
Consols 4pc		49[illegible]	+¼	49[illegible]	39⅞	8.16	–
War Loan 3½pc‡‡		39[illegible]xd	+[illegible]	39[illegible]	35[illegible]	8.88	–
Conv 3½pc '61 Aft		62[illegible]	+[illegible]	62[illegible]	58	5.61	–
Treas 3pc '66 Aft		32[illegible]	—	32[illegible]	29[illegible]	9.27	–
Consols 2½pc		27[illegible]	—	27¼	24[illegible]	9.03	–
Treas. 2½pc		27½	—	27[illegible]	24[illegible]	9.08	–

BRITISH FUNDS - Cont.

Index – Linked	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	126[illegible]	+[illegible]	128¼	122⅞	2.74	4.08
2pc '96	(67.9)	180	-[illegible]	180¼	176⅞	3.40	4.03
2½pc '01	(78.3)	146[illegible]	-[illegible]	147⅞	143	4.11	4.44
2½pc '03	(78.8)	142¼	-[illegible]	143¼	138[illegible]	4.17	4.45
2pc '06	(69.5)	148	-[illegible]	149[illegible]	139[illegible]	4.21	4.43
2½pc '09	(78.8)	132¼	-[illegible]	133[illegible]	126[illegible]	4.21	4.41
2½pc '11	(74.6)	136[illegible]	-[illegible]	137¼	129[illegible]	4.21	4.38
2½pc '13	(89.2)	112½	-[illegible]	113	106[illegible]	4.20	4.37
2½pc '16	(81.6)	119⅞	-[illegible]	120¼	112⅞	4.18	4.35
2½pc '20	(83.0)	116[illegible]	-[illegible]	118[illegible]	107[illegible]	4.18	4.30
2½pc '24‡‡	(97.7)	96[illegible]	-[illegible]	96[illegible]	88⅞	4.14	4.27

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1991: 134.6 and for April 1992 138.8

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		114[illegible]	+[illegible]	114½	105⅞	9.72	9.42
Asian Dev 10¼pc 2009		108[illegible]	+[illegible]	108[illegible]	100[illegible]	9.41	9.18
B'ham 11½pc 2012		110½	....	110½	102¼	10.41	10.28
Ireland Cap 8½pc '10		89[illegible]	—	89¼	88¼	9.56	–
9pc Cap 1996		98[illegible]	—	99¼	90	9.17	–
13pc '97-02		116¼	—	116½	104	11.25	–
Hydro Quebec 15pc 2011		140[illegible]	+[illegible]	140[illegible]	130⅞	10.70	10.18
Int-Am Dev 12½pc 2003		121[illegible]	+[illegible]	121[illegible]	112⅞	10.29	9.27
9¾pc 2015		104⅝	+[illegible]	104⅝	95½	9.32	9.25
Leeds 13½pc 2006		124	—	124	116¼	10.88	10.26
Liverpool 3½pc Ined		30	—	33¼	30	11.67	–
LCC 3pc '20 Aft		27[illegible]	—	30[illegible]	27	11.11	–
Manchester 11½pc 2007		110½	—	110½	103¼	10.41	10.14
Met. Wtr. 3pc 'B'		58½	—	58½	53	5.13	9.02
N'wide Anglia 3⅞pc 2021		108¼	—	108¼	103¼	–	5.40
4¼pc IL 2024		109	—	109	103¼	–	5.14
Utd Mex States 16½pc 2008		126½	—	128	121½	13.25	12.73

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

½ hour period ending	Provisional Price for trading on 28.05.92 Pool purchase price £/MWh	Final Prices for trading on 20.05.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.36	16.83	16.83
0100	17.35	16.82	16.82
0130	17.30	16.90	16.90
0200	17.30	[illegible]	16.95
0230	17.30	16.96	16.96
0300	17.29	16.86	16.98
0330	17.29	16.90	16.90
0400	17.29	16.89	16.89
0430	17.29	16.88	16.88
0500	17.29	16.88	16.88
0530	17.32	16.88	16.88
0600	17.32	16.89	16.89
0630	17.39	16.93	16.93
0700	[illegible]	17.05	17.05
0730	19.37	18.52	19.28
0800	19.72	[illegible]	20.50
0830	21.16	28.19	29.27
0900	21.96	28.23	29.32
0930	26.49	[illegible]	29.27
1000	26.49	22.64	23.76
1030	26.49	22.64	23.75
1100	23.37	22.84	23.74
1130	23.37	22.85	23.75
1200	35.92	22.87	23.78
1230	35.92	22.13	23.02
1300	35.82	22.08	22.93
1330	21.96	19.84	20.61
1400	[illegible]	[illegible]	20.58
1430	21.96	19.80	20.57
1500	21.96	19.80	20.57
1530	21.96	19.87	20.57
1600	21.96	19.82	20.59
1630	21.96	19.84	20.61
1700	21.96	21.92	22.74
1730	21.96	21.91	22.72
1800	20.48	21.88	22.70
1830	20.48	18.76	19.49
1900	20.45	18.76	19.49
1930	[illegible]	18.76	19.50
2000	19.64	17.06	17.08
2030	19.43	17.06	17.06
2100	19.43	18.76	19.50
2130	21.69	18.76	19.49
2200	26.50	18.78	19.60
2230	26.50	18.51	19.25
2300	26.50	17.08	17.08
2330	19.43	17.02	17.02
2400	19.32	16.85	16.85

Prices are determined for every half hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	35⅞xd	+⅛	39⅞	34	15,256	1.9
Allegheny & W	298p	+24	335p	226p	154.9	5.7
Amdahl	900p	-16	1159p	815p	1,014	0.6
Amer Cyanamid	32¼	+⅞	37	31⅞	2,954	2.9
Amer Express	12⅞xd	-⅛	13⅞	10⅞	5,843	4.6
Amer T & T	22½xd	-⅞	24⅞	20⅛	30,316	3.2
Ameritech	34⅝	+⅛	36⅞	32½	15,180	5.7
BankAmerica	25½xd	-⅞	27⅛	19⅞	8,748	2.9
Bankers NY	32xd	-⅛	37¼	28⅞	2,637	8.6
Bell Atlantic	23⅞	—	26¾	23⅛	10,278	6.1
BellSouth	27	+¼	28⅛	25	13,140	5.8
Bethlehem Steel	7⅞xd	—	9⅝	7	601.5	—
Bowater	1100pxd	+15	1579p	1076p	432.1	5.6
CPC h	23⅞	-⅞	25⅛	22⅞	3,510	2.9
California Engy	690p	—	833p	645p	125.6	—
Campbell Soup	17⅞	-⅞	23⅞	17⅞	4,498	2.5
Chase Manhattan	15⅞xd	-⅞	16½	9⅛	2,198	4.3
Chrysler	9⅞xd	-⅛	11⅛	6¼	2,086	3.4
Citicorp	10⅞xd	-⅛	11	6⅞	3,627	—
Colgate-Palm	27⅞xd	-⅞	28⅞	25⅛	4,430	2.1
Cont'l Bank	977p	-9	1030p	499p	267.3	3.5
Dana	22⅞xd	+⅛	24½	14⅞	940.4	3.9
Data General	444p	+13	1084p	431p	122.5	—
Dial	19⅞xd	-⅛	24⅛	18⅞	899.4	3.2
Dun & Brad	29½	+½	33½	27⅝	5,264	4.4
Eaton	44½	+⅜	46½	32½	1,516	2.8
Echlin	9¾xd		11	7⅜	544.6	4.0
FPL	18⅞xd	-⅞	20	18⅛	3,210	7.3
Fluor	23⅞xd	+¼	27	21	1,916	1.0
Ford Motor	23¼	-⅜	25¼	15	11,513	2.4
Gen Elect	41⅞xd	-⅜	46¼	40⅞	35,753	2.8
General Host	440p	—	555p	360p	—	4.5
Gillette	28½xd	-⅞	29⅞	26⅛	5,811	1.5
Hasbro	15¼	—	16	12⅞	1,314	0.7
Honeywell	39⅞xd	+⅞	40	34⅛	2,745	2.4
Houston Inds	23⅞	—	28	23	3,059	7.1
IBM	49⅞xd	-⅞	54½	46⅞	28,479	6.5
Ingersoll-Rand	32⅞xd	-⅞	38⅞	28⅞	1,708	2.3
Lockheed	24⅞	+⅛	26⅞	22⅞	1,529	4.9
Lowe's	2433p	+16	2478p	1631p	885.9	1.3

[illegible]

BUILDING MATERIALS - Cont.

Russell (A); SWP; Sandell; St Gobain FFr; Sharpe & Fisher; Shaw (A); Sheffield Insult; Spring Ram; Stamper; Steetley; Tarmac; Tilon; Travis Perkins; Tudor; Unigroup; Ward Group; Wickes; Wilshaw; Wolseley; Worcester

[illegible]

BUSINESS SERVICES

ADT S; ASB Group; ATA Select; Adam & Harvey; Air London; African Lakes; Auto'ted Sec; BET; BNB Res; BPP; Barbour Index; Boustead; Brit Data Man; Brooks Service; Burns-Anderson; CRT

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.		97	—	107	83½	12.4	—	—
Cap		32	—	42	12½	—	62.9	49.1
Stepped Pf	†	141	—	141	126	5.8	—	—
Zero Div Pf		165	—	[illegible]	[illegible]	—	—	—
Warrants		7	—	9	3½	—	—	—
Scot Value	†	63	-½	63½	48	3.9	63.5	0.8
Sec Alliance	†	1260	+2	1260	1130	3.7	1398.6	9.8
Second Market	s	249	+1	263	222	[illegible]	[illegible]	[illegible]
Sec Tst Scot		74xd	—	76½	63	5.9	76.1	3.4
Select Assets		97½	-½	102½	87	1.2	133.8	27.1
Eq Ind Ser I		123	—	123	108	4.6	—	—
Eq Ind Ser II		123	—	123	108	4.6	—	—
Shires		246	+4	246	195	10.2	247.7	0.7
11pc Cv Ln '03/04		£115½	—	£119½	£95½	8.6	—	—
Stem Select		78	—	91	78	1.7	91.5	14.9
Warrants		15	—	21	15	—	—	—
Smaller Cos		84	—	90	67	4.9	90.6	7.3
Warrants		19	—	20	[illegible]	—	—	—
Sphere Inc	N	15½	—	20	14¼	26.7	[illegible]	[illegible]
Zero Div Pf		77¼	-½	77¼	65¼	—	—	—
Warrants		0¾	—	3½	0¾	—	—	—
Stratton		168	—	168	147	1.4	192.9	12.9
Sunit		50	—	52	38	3.3	108.6	54.4
TR City of Lon	M	126½	+½	[illegible]	97½	[illegible]	[illegible]	[illegible]
TR Euro Growth	s	87	-2	98	83	1.5	100.9	11.8
Ptg Sub	s	50	—	54	50	2.7	—	—
TR Far East Inc	M	95xd	—	98	78	8.2	105.8	10.2
Warrants		20	—	22	12	—	—	—
TR High Inc		109	—	110	91	7.3	103.4	-5.4
Sub	g	30	—	35	28	8.7	—	—
TR Pacific	s	95	-1	99	71	0.4	100.7	5.6
TR Prop		24	—	27	20	8.1	33.5	28.4
TR Smaller		149	—	152	118½	3.3	156.2	4.6
[illegible]								

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

annualised dividend yield, p/e based on previous year's earnings. latest annual earnings. prospectus or other ar ex rights. xa ex all. xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £[illegible] a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE:

OFFER PRICE:

BID PRICE:

CANCELLATION PRICE:

TIME:

HISTORIC PRICING:

FORWARD PRICING:

SCHEME PARTICULARS AND REPORTS:

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	265.5	265.5	282.4	-5.9	0.80
(Accum Units) ♥	5	312.5	312.5	332.4	[illegible]	[illegible]
British	5	[illegible]	900.8	955.6	[illegible]	[illegible]
(Accum Units)	5	[illegible]	1510.0	1577.3	[illegible]	[illegible]
European	5	340.0	340.0	361.4	-0.5	1.43
(Accum Units)	5	368.6	368.6	391.8	-0.5	1.43
Japan	5	95.62	95.62	101.8	-0.4	-
(Accum Units)	5	96.38	96.38	102.6	-0.4	-
New Pacific	5	210.9	210.9	225.3	+1.7	1.56
(Accum Units)	5	216.6	216.6	231.4	+1.8	1.56
PEP May 27	3	163.8	163.8	175.0	-0.4	3.51
Mngd Equity	5	132.8	134.2	142.0	-0.7	2.71
Mngd Equity Acc	5	140.9	142.4	150.7	-0.7	2.71
Mngd Cash	0	96.41	96.41	96.41	...	9.35
(Accum Units)	0	121.1	121.1	121.1	...	9.35
Majority Stlg	1	100.52	100.52	101.52	+0.02	9.25
Majority Stlg Acc	1	111.48	111.48	112.59	+0.03	9.25

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin 5 Rayleigh Rd Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

International May 15	0	49.63	49.63	50.09	...	1.77

Sun Alliance Unit Tst Mngmt Ltd (1200)F
St Mark's Court, Horsham 0403 232323

Equity	6	649.8	649.8	695.0	-12.9	2.86
North America	6	81.22	81.22	86.87	+0.44	0.41
Far East	6	89.07	89.07	95.30	+0.90	0.66
W'wide Bond	6	47.37	47.37xd	50.39	+0.22	6.29
European	6	69.38	69.38	74.20	-0.46	1.40
Equity Income	6	73.35	73.35	78.45	-0.52	4.66
Portfolio	6	60.20	60.20xd	64.39	-0.12	1.72
UK Leading Cos	6	46.46	47.03	50.03	...	2.95
Broker Trusts						
Worldwide Growth	6	47.00	47.00	50.00	...	2.23
Intl Equity	6	46.27	46.68	49.93	-0.13	2.73

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525725

American Growth	6	26.20	26.20	28.03	+0.17	0.67

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Apr 30	189.10	192.95	...	8.21
Equity Apr 30	905.90	918.60	...	3.83

* Available only to Local Authorities

M & G Securities Ltd

Charibond May 26		105.95xd	..	10.18
(Accum Units)		658.56	+0.1	10.18
NAACIF May 26		43.00xd	+0.3	9.03

Morgan Grenfell Investment Funds Ltd
Exempt Funds

UK Equity † May 19	141.4	151.5	...	1.78
UK Small Co † May 19	569.0	621.9	...	3.22
Fixed Interest † May 19	110.7	116.5	...	8.58
US Small Co May 19	151.9	162.5	...	0.00
Managed May 19	115.8	123.8	...	3.45
Intl Bond May 19	120.6	127.2	...	10.10
Japan May 19	61.42	65.44	...	4.87
European May 19	92.86	99.38	...	1.70
Nth American May 19	110.7	119.2	...	1.33

Murray Johnstone UT Mngmt
Murray Exempt Funds

American Exempt	54.43	56.61	+0.55	1.67
European Exempt	54.00	56.70	-0.18	2.26
Fixed Int. Ex May 27	48.91	50.12	+0.29	8.62
Japan Exempt	36.90	38.38xd	-0.03	0.73
Managed Ex May 21	48.13	50.06xd	...	3.96
SE Asia Exempt	89.83	98.02	+1.03	2.28
Sm Cos Exmt May 27	38.63	40.57xd	-0.02	3.14
UK Eqty Ex May 27	47.07	49.43	+0.12	3.57

Phillips & Drew Fund Management Ltd

Small Co's May 7	712.80	759.15xd	...	4.27
Do Accum	832.15	886.26	...	4.27
Int Exmt May 21	191.08	195.15xd	...	1.65
UK Index May 7	1244.90	1260.31xd	...	4.62
Do Accum	1388.89	1406.08	...	4.62
Convertible May 18	100.86	104.07xd	...	7.77
World ex UK Index May 26	748.14	756.75	+11.18	2.15

Henderson Administration(z)
3 Finsbury Ave, London, EC2 M2PA 071-638 5757

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	326.3	347.2	-0.9	-
Fixed Interest	64.6	68.8	+0.1	-
N America	259.80	276.4	-0.9	-
Far East	359.6	382.6	+1.0	-
Global Managed	337.8	359.4	-0.8	-
Deposit	207.3	218.3	.....	-
Prime Res	139.4	140.5	.....	-
European	194.5	207.0	+0.7	-
Pension Funds				
UK Equity	360.9	394.0	-0.1	-

Life Association of Scotland
113 Dundas St, Edinburgh EH3 5EB 031-550 5000
LAS Investment Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	274.9	289.4	-2.5	-
UK Equity	476.3	501.4	-6.5	-
Property	289.9	305.2	...	-
Money Market	228.5	240.6	.....	-
Fixed Interest	272.3	286.7	+0.1	-
Japan	251.0	264.3	-0.3	-
North America	120.9	127.3	-1.3	-
International	210.9	222.0	-0.8	-
European	197.5	207.9	-1.5	-
Far East	82.6	87.0	+0.5	-

NEL Britannia Assce Co Ltd – Contd.
Specialist Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Barings Convertibles	115.5	121.6	+0.3	-
Barings Eastern	123.0	129.5	+1.5	-
Barings Equity Income	101.1	106.4	-0.1	-
Barings European Growth	109.5	115.3		-
Barings German Growth	107.6	113.3	+0.3	-
Barings Japan Growth	84.1	88.5	-0.3	-
Barings UK Smllr Cos	109.9	115.7	...	-
Fidelity 1992 Euro Opps	102.6	108.0	+0.1	-
Fidelity American	114.7	120.7	-0.4	-
Fidelity Amer Sp Sits	138.1	145.4	-1.1	-
Fidelity Asian	117.4	123.6	+0.6	-

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 622200
NUAM Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	77.3	81.4	-0.2	-
Stock Market Mngd Fund	76.6	80.6	-0.1	-
Equity Fund	88.5	93.2	-0.5	-
International Fund	63.6	66.9	+0.1	-
European Fund	66.6	70.1	-0.3	-
North American Fund	71.5	75.3	+0.8	-
Pacific Fund	71.3	75.1	+0.4	-
Property Fund	75.0	79.0	...	-
Fixed Interest Fund	66.2	69.7	+0.1	-
Index Linked Sec Fund	65.3	68.8	-0.1	-
Deposit Fund	74.9	78.9	+0.1	-
NUAM Retirement Plans				
Mixed Fund	87.0	91.6	-0.2	-
UK Ordinary Share Fd	105.2	110.7	-0.6	-
International Fund	67.1	70.7	+0.3	-
Property Fund	84.4	[illegible]	.	-
Fixed Interest Fund	83.3	87.7	+0.1	-
Index Linked Sec Fund	69.9	73.6	-0.2	-
Deposit Fund	90.6	95.4	..	-
NUAM (RF)				
Managed Fund	1091.8	1149.3	-3.4	-
Equity Fund	2424.3	2551.9	-15.4	-
International Fund	168.6	177.5	+0.4	-
Property Fund	477.2	502.4	-0.1	-
Fixed Interest Fund	498.2	524.5	+0.5	-
Index Linked Sec Fund	66.8	70.4	-0.1	-
Deposit Fund	309.1	325.4	...	-

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128

Pearl Assurance (Unit Funds) Ltd

Lynch Wood Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist. (Gross)	134.7	141.8		-
Property Acc. (Gross)	256.8	270.3	...	-
Equity (Gross)	931.3	980.4	-8.9	-
Managed (Gross)	642.9	676.8	-4.0	-
Property Acc. (Net)	122.8	129.3		-
Equity (Net)	214.9	226.2	-1.9	-
Managed (Net)	196.9	207.3	-1.1	-
International (Net)	168.2	177.1	-0.4	-
Gilt & Fixed Interest	140.7	148.2	-0.2	-
Money Fund	139.0	146.3	..	-
Mixed Fund (Cap)	123.5	130.0		-
Mixed Fund (Acc)	127.5	134.3		-
Adventurous Managed	97.2	102.3	+0.2	-
Cautious Managed	95.8	100.9	+0.1	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	698.9	735.7	-5.5	-
Ret Man (Series 2)	237.0	249.5	-1.9	-
Ret Cash	195.4	205.7	+0.1	-
Pens Mixed Fd (Cap)	138.2	145.5	...	-
Pens Mixed Fd (Acc)	142.6	150.2	...	-
Pens Stlg Fd (Cap)	103.3	108.8	..	-
Pens Stlg Fd (Acc)	106.6	112.3		-

Pegasus Assurance Ltd

Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Aggressive	105.1	110.7	+0.4	-
Managed Balanced	103.1	108.6	+0.2	-
Managed Cautious	114.4	120.4	+0.1	-
Pension Funds				
Managed Aggressive	110.1	115.9	+0.4	-
Managed Balanced	108.1	113.9	+0.2	-
Managed Cautious	119.3	125.6	+0.1	-

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd

37-39 Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	141.0	149.0	+1.0	-
Building Soc. Fd	222.0	234.0	+1.0	-
Balanced	287.0	303.0	-2.0	-
European	211.0	223.0	-2.0	-
GT Managed	192.0	203.0	-1.0	-
Gartmore Mngd	129.0	136.0	+1.0	-
German	137.0	145.0	-1.0	-
Gilt	187.0	197.0	-1.0	-

Provident Mutual Life Assc. Assn.—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Index Linked Gilt Init	126.9	133.6	-0.4	-
Overseas Equity Ord	271.8	286.1	+0.4	-
Overseas Equity Init	198.9	209.4	+0.3	-
Property Ord	221.3	232.9	+0.1	-
Property Init	161.9	170.4	.	-
Fixed Interest Ord	229.5	241.6	...	-
Fixed Interest Init	167.9	176.7	-0.1	-
Deposit Ord	185.9	195.7	.....	-
Deposit Init	136.0	143.2	.....	-
Pension Funds				
Managed Ord	477.3	502.4	-1.2	-
Managed Init	349.3	367.7	-0.8	-
Equity Ord	751.2	790.7	-3.7	-
Equity Init	549.7	578.6	-2.8	-
Pen Ind Lkd Gilt Ord	187.1	196.9	-0.6	-
Pen Ind Lkd Gilt Init	143.0	150.5	-0.4	-
Overseas Equity Ord	309.0	325.3	+0.6	-
Overseas Equity Init	226.2	238.1	+0.4	-
Property Ord	279.8	294.5	+0.1	-
Property Init	204.8	215.6	+0.1	-
Fixed Interest Ord	291.5	306.8	.....	-
Fixed Interest Init	213.4	224.6	.....	-
Deposit Ord	266.3	280.3	.....	-
Deposit Init	194.9	205.2	.....	-

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed May 27	270.4	281.7	+0.8	-

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary May 20	£193.71	199.78	.....	-
Equity May 20	£226.13	233.89	.....	-
International May 20	£27.30	27.89	.....	-
Intl Bond May 20	£14.21	14.39	.....	-
Fixed Int May 20	£105.31	106.49	.....	-
Index Linked May 20	£75.94	76.90	.....	-
Property May 20	£109.63	115.67	.....	-
Cash May 20	£30.4855	30.4855	.....	-
Pru-Linked Retirement Plan				
Managed May 26	474.7	494.5	+0.8	-
Cash May 26	280.5	292.2	+0.5	-
Prudential Pensions Investment Account				
Pens Mngd May 27	188.9	203.4	-1.2	-
Pens UK EQ May 27	341.1	367.8	-3.0	-

Scottish Amicable

150 St Vincent St, Glasgow

Life Funds (First Series)

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
Asset Global Funds Ltd (1200)				
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097				
European Equity ... 5	14.255	15.28	-0.14	-
UK Gilt ... 5	10.543	11.10	+0.02	-
Intl Equity ... 5	14.638	15.63	-0.09	-
International Bond 5	5.1772	5.464	[illegible]	-
Ashburton Managed ... 5	0.99	1.0442	[illegible]	-
European Bond ... 5	1.0331	1.0893	[illegible]	-
Sterling Cash Inc ... 5	0.9847	1.0359	...	-
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd ... 5	97.07	102.17	+0.11	10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth ... 5¼	496.8	532.3	-0.4	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
L.J. International ... 5¼	96.33	103.3	-0.78	-
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM 0624 626984				
Scandinavia Fd ... 5	138.93	148.15	...	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International ...	$10.02		+0.02	-
CMI Fund Mngrs (IOM)				
Traders Fund Ltd ...	$17.17	18.57	+0.00	-
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling ...	138.0	145.0	...	4.4
DL International ...	$1.54	1.64	...	1.4
Equity & Law International Fund Mgs Ltd				
European Equity ...	161.99	170.39	+0.23	-
Far Eastern Equity ...	$2.3275	2.4496	+0.0155	-
North Amer Equity ...	$1.6830	1.7713	+0.0031	-
UK Equity ...	174.80	183.97	-0.21	-

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gross
Citibank (CI) Ltd "Citifunds"						
Irish £ May 21 ...			117.987		+0.216	-
Japan Equity May 28 ...			$7.579		-0.207	-
US Em Hlth May 26 ...			$22.375		+0.204	-
US Em Tech May 26 ...			$19.405		-0.178	-
Citicare May 26 ...			$34.333		+0.314	-
EBC Trust Company (Jersey) Ltd						
Income ...			$15.10	15.645	-0.062	2.75
Capital ...			$23.62	24.349	-0.092	5.56
Equitilink International Mngt Ltd						
Fidelity Investment (CI) Ltd						
Sterling American ...			£2.465	2.594	-0.013	-
Fleming Group						
Foreign & Colonial Mngt (Jersey) Ltd						
US$ Cash ...			$10.69		---	-
Sterling Cash ...			£12.99		+0.01	-
US$ Bonds ...			$14.70		-0.08	-
Multicurrency Bonds ...			$19.69		-0.04	-
Sterling Bonds ...			£13.42		+0.01	-
D Mark Bonds ...			DM10.53		-0.01	-
UK Equities ...			£10.99		-0.06	-
US Equities ...			$16.40		-0.08	-
Japanese Equities ...			Y622		-0.14	-
US Negative Eq ...			$10.11		+0.06	-
UK Geared Equities ...			£9.92		-0.09	-
John Govett Management (Jersey) Ltd						
Paragon Fd NAV Apr 30			$10.23		---	-
Hungarian Inv Co Apr 30 ...			109.92		---	-
INVESCO MIM International Limited						
All Funds deal daily except where indicated.						
American Equity Inc ...			£1.485	1.593	+0.007	3.17

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar exploits D-Mark woes

A STRONG dollar dominated active foreign exchange market trading yesterday after a combination of favourable US economic news and higher crude oil prices pushed it upwards through an important chart point of DM1.6250.

In London, the US currency advanced 2.55 pfennigs against a generally weaker D-Mark to close at DM1.6345, while sterling dropped 2.7 cents to $1.8010. In New York, the dollar ended at DM1.6370 and the pound at $1.7948.

The German unit also lost ground to the Swiss franc and Japanese yen, and weakened against the Portuguese escudo in the European exchange rate mechanism in spite of repeated sales of escudos by the Bank of Portugal at 82.91 and 83.0 escudos to the D-Mark.

The dollar's rise was fuelled by strong buying on a growing belief that the US economy is returning to reasonable growth. This perception has been underpinned by bullish economic data, including news of a stronger than expected rise in consumer confidence on Tuesday, favourable 10-day US car sales figures, and improved retail sales and industrial production. These factors encouraged expectations of an upward revision of first quarter gross domestic product data being reported tomorrow.

News yesterday of a strong 1.4 per cent April rise in US durable goods orders initially helped sentiment, even though closer inspection of the figures revealed a very large defence component. The potentially inflationary implications of higher oil prices also worked in the dollar's favour as analysts reasoned that a further easing by the US Federal Reserve was highly unlikely in the near term. The dollar's penetration of the DM1.6250 chart level prompted covering of short positions and encouraged some market operators to anticipate an early assault on the next chart point of DM1.6450.

The D-Mark was beset by other woes. It lost ground to the French franc following news that France's seasonally adjusted trade surplus jumped to a record FFr7.79bn in April from FFr1.06bn the month before. *It weakened against the Swiss franc* after Mr Markus Lusser, the Swiss National Bank president, said he wanted to see the Swiss currency stronger to combat inflation.

The yen rose against the D-Mark in a continuing technical reversal of the latter's recent strength against the Japanese currency. The Bank of Portugal intervened for the third straight day in D-Marks to stop the escudo bursting through its upper fluctuation limit in the ERM against the Danish krone, the weakest currency in the European Monetary System.

The pound was a minor beneficiary of the D-Mark's weakness. Although it fell sharply against the dollar, it finished ¼ pfennig higher in London at DM2.9450 – ½ pfennig short of its central rate in the ERM.

£ IN NEW YORK

May 27	Close	Previous Close
£ Spot	[illegible]	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 27	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

May 27	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for May 26

CURRENCY RATES

May 27	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculation. * All SDR rates are for May 26

OTHER CURRENCIES

May 27	£	$
[illegible]	[illegible]	[illegible]

*Trading rate. Iran Official rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts against Ecu May 27	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]. 12 Month [illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

May 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible]; four years [illegible]; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta	Ecu
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesetas per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODMARK OPTIONS DM1m points of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lire 200m 100ths of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PARIS

	Open	Sett. price	Change	High	Low	Yield	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 9,471 Total Open Interest 12,116

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
106	-	-	-	0.09	0.26	-
107	-	-	-	0.20	0.47	-
108	1.20	-	-	0.43	0.74	-
109	0.61	1.10	-	0.87	1.20	-
110	0.29	-	-	-	-	-
111	0.12	0.40	-	-	-	-
Open Int.	54,790	14,974	-	44,194	18,098	-

Estimated volume 7,261 Total Open Interest 132,056

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
[illegible]	[illegible]	[illegible]	[illegible]	1.7148

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	Roxburghe Bank Ltd	11.5
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Royal Bk of Scotland	10
Bank of India	10	Citibank	10	● Smith & Williamson Secs.	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Benchmark Bank	11	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
Brit Bk of Mid East	10	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co.	10	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Westpac Bank Corp.	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Cost of funding high

RATES IN the sterling money market moved slightly higher in a quiet day of tight trading.

Once again the Bank of England forecast a big shortage that proved difficult to take out, thereby keeping the cost of funding high. Eventually the shortage was removed but only after late assistance from the Bank brought overnight rates down.

The Bank's initial forecast liquidity shortage was £1.5bn. It set out to be as accommodating as possible, purchasing £25m of band-3 bills at 9⅝ per cent and £28m of band-4 bills at 9⅝ per cent in the early round.

In further morning operations it bought £125m of band-1 bills, £136m of band-2 bills, both at 9¾ per cent, £172m of band-3 bills at 9⅝ per cent and £35m of band-4 bills at 9⅝ per cent. It also purchased £69m for resale to the market in equal amounts on June 16, 17 and 18 at a 9⅞ per cent rate.

However, with the market reluctant to part with paper, *the rate for overnight money,* which had started the day firm at 10¾ per cent, rose to 11¾ per cent.

In the afternoon the shortage was revised to £1.6bn and the Bank operated again, buying £478m of bands 1,2,3 and 4 bills at the same rates.

Only after the authorities had provided late assistance of £540m, taking total official intervention operations for the day to £1.6bn, did the cost of money cheapen significantly. Late borrowers were able to pick up balances at 8½ per cent, much lower than Tuesday's closing overnight rate of 25 per cent.

Rates for one-month, three-month and six-month money crept upwards. The key three-month interbank rate ended at 10⅛ per cent after Tuesday's close of 10⅛ per cent.

One trader said: "The rate changes did not really reflect Bank of England policy, it just reflected the fact that people were long on bills and not particularly willing to sell them."

There was little activity on the sterling futures market. The September short sterling contract closed at 90.32, up four basis points on the day in thin trading.

Overall, sentiment appeared to be suffering from Tuesday's disappointing trade figures – the current account deficit *widened to more than £1bn* – and the growing awareness that chances of a further rate cut before the early autumn are scarce.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. May 27) 3 months US dollars / 6 months US Dollars

bid 3⅞	offer 4⅛	bid 4⅛	offer 4¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

			Treasury Bills and Bonds	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

May 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

May 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell): one-month [illegible]; three months [illegible] per cent; Treasury Bills: Average tender rate of discount [illegible] p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1992. Agreed rates for period May 26, 1992 to June 25, 1992, Scheme I: [illegible] p.c., Schemes II & III: [illegible] p.c. Reference rate for period April 1, 1992 to April 30, 1992, Scheme IV&V: [illegible] p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate [illegible] from May 1, 1992: Bank Deposit Rates for sums at seven days notice [illegible] per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month [illegible] per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months [illegible] per cent; nine-twelve months [illegible] per cent; Under £100,000 [illegible] per cent from [illegible] 1991. Deposits withdrawn for cash [illegible] per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Money Market Bank Accounts

	Gross	Net	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES – Gross: Contractual rate of interest payable, not taking account of deduction of basic rate tax. Net: Net rate after allowing for deduction of basic rate tax. CAR: Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

LEGAL NOTICES

Rule 2.3

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

Registered Name: Unitex Information Services Limited

Registered No: [illegible]

Former Name: The Unit Trust Exchange Limited

(registered within past 12 months)

Trading Name: Unitex

(used within past 12 months)

Trade classification: 36

Names and Addresses of Joint Administrative Receivers:

V M Bairstow	N Baddock
Robson Rhodes	Robson Rhodes
186 City Road	The Galleria
London EC1V 2NU	Station Road
	Crawley
	West Sussex RH10 1EY

By whom Appointed: IBM United Kingdom Holdings Limited ("IBM") and Premier Unit Trust Administration Limited ("Premier")

Date of Appointment: IBM 11 May 1992; Premier 13 May 1992

Date of Charge: IBM 17 September 1991 and 17 December 1991; Premier 3 January 1992

Nature of Charge: Fixed and floating Charges

Joint Administrative Receivers

N Baddock, V M Bairstow

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

SOUTH QUAY LIMITED

Registered number: 1825839. Former Company Name: Bay Tree Estates Limited. Nature of Business: Property Developer. Trade Classification: 23. Date of appointment of administrative receiver: 15 May 1992. Name of person appointing the administrative receivers: Samuel Montagu & Co Limited. ROBIN MICHAEL ADDY and MICHAEL ANTHONY JORDAN, Joint Administrative Receivers: Office Holder Nos: 1031 & 2172. Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

Notice of appointment of Administrative Receiver

FROST PLANT HIRE (SOUTHERN) LIMITED

Registered number: 2094371. Former company name: Frost Plant (Southern) Limited. Trading Name: Plant Hire (Southern) Limited. Nature of business: Plant Hire Contractors. Trade classification: 23. Date of appointment of administrative receiver: 13 May 1992. Name of person appointing the administrative receivers: Midland Bank Plc. N J Vought & C G Hughes. Joint Administrative Receivers (Office Holder Nos: 6339 and 2041). Address: Melrose House, 42 Dingwall Road, Croydon, Surrey CR0 2NE

COMPANY NOTICES

THE ROYAL BANK OF CANADA

U.S. $350,000,000 Floating Rate

Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 29th May, 1992 to 30th June, 1992 has been fixed at 4⅛% per annum. On 30th June, 1992 interest of U.S. $3.67111 per U.S. $1,000 *nominal amount of the Debentures will* be due for payment. The rate of interest for the period commencing 30th June, 1992 will be determined on 26th June, 1992.

Agent Bank and Principal Paying Agent

ROYAL BANK OF CANADA EUROPE LIMITED

PERSONAL

PUBLIC SPEAKING training and speechwriting by award winning speaker. First lesson free. Tel: (0727) 861133.

ART GALLERIES

MARLBOROUGH 6 ALBEMARLE

Street, London W1.

THERESE OULTON

Abstract with Memories

1 May – 12 June 1992.

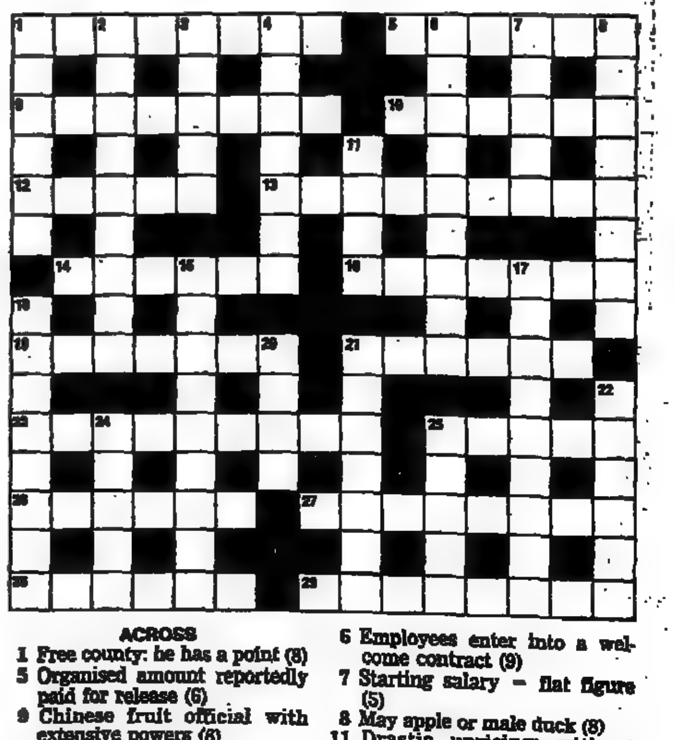
Mon-Fri 10-5.30 Sat 10-12.30.

Tel: 071 629 5161.

JOTTER PAD

CROSSWORD

No.7,858 Set by HIGHLANDER



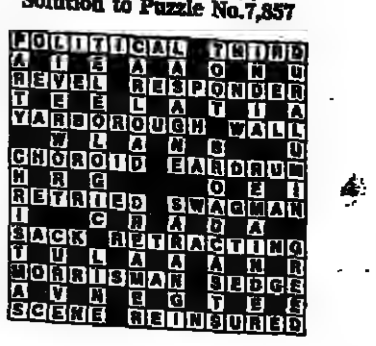
ACROSS

1 Free county: be has a point (8)
5 Organised amount reportedly paid for release (6)
9 Chinese fruit official with extensive powers (8)
10 Forced to go north (6)
12 Sailing vessel takes bend two different ways (5)
13 More severe with each one from another hemisphere (9)
14 Effect of what the devil does? (6)
16 Woodland creature producing mass of eggs to please (7)
19 A framework for every gaol disorder (7)
21 Vegetable shoot, to a cook (6)
23 Vendor said time needed to find underground storage (9)
25 Standard educational qualification in Italy (5)
26 Birdshot on target (6)
27 Late deal perhaps for useless employee (8)
28 Making a record of money commonly found in the drink (6)
29 Staggered heats let in runners the least involved (8)

DOWN

1 Bewilder or act as inspiration to artists (6)
2 Study old prior, supporter of established church (9)
3 Clever shooting? Precisely! (5)
4 In medical specialisation mine is outstanding (7)
6 Employees enter into a welcome contract (9)
7 Starting salary – flat figure (5)
8 Make apple or male duck (8)
11 Drastic uprising: without police protection, foreign leader left (4)
15 Trouble over restricted provision for worship (9)
17 State very much behind greatest possible amount (8)
18 For example, people follow rambling epics (8)
20 The first one to become a mother (6)
21 Introduce current award show (7)
22 Fly total is under a hundred (6)
24 Entertaining match (5)
25 Hawk's sound of foot (5)

Solution to Puzzle No.7,857



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	May 27	May 26	May 22	May 21	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	3370.44	3364.21	3386.77	3378.71	3397.99 (19/5)	3172.41 (2/1)	3397.99 (19/5/92)	41.22 (2/7/32)
Home Bonds	99.95	100.04	100.16	100.01	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1359.68	1360.80	1376.49	1372.76	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.01	212.76	212.08	211.94	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 3396.62 (3410.87) Low 3337.26 (3338.81)

STANDARD AND POOR'S

	May 27	May 26	May 22	May 21	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	412.17	411.41	414.02	412.60	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	487.45	487.06	489.49	487.31	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.87	34.73	35.33	35.30	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	227.15	226.86	228.20	227.47	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	391.85	391.89	392.46	391.63	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	577.38	575.65	580.30	579.10	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 22	May 15	May 8	year ago (approx.)
Dow Industrial Div. Yield	2.92	2.79	2.77	3.11

	May 20	May 13	May 6	year ago (approx.)
S & P Industrial div. yield	2.63	2.62	2.61	2.79
S & P Indl. P/E ratio	28.92	29.19	29.29	18.89

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Syntex	5,717,000	37¾	- 3⅝
Philip Morris	2,789,000	75⅛	+ 1
RJR Nabisco	2,569,600	9⅛	+ ⅛
Aracruz Cel	2,505,500	13⅞	....
Disney (Walt)	2,390,400	37⅛	- ⅛
Exxon	2,339,600	61⅞	- 2⅛
Gen Motors	2,186,200	39⅛	+ 1⅛
Merck	1,712,600	49½	- ⅛
Schlumberger	1,686,800	67⅛	- 1⅛
Conner Periph	1,626,900	22	- ⅞

TRADING ACTIVITY

† Volume (Millions)	May 27	May 26	May 22
New York SE	179.970	196.950	146.640
Amex	15.115	14.672	11.113
NASDAQ	(u)	126.744	124.852
NYSE			
Issues Traded	2,276	2,256	2,228
Rises	844	612	971
Falls	795	1,116	644
Unchanged	637	528	613
New Highs	43	36	48
New Lows	31	29	20

CANADA

TORONTO	May 27	May 26	May 25	May 22	1992 HIGH	1992 LOW
Metals & Minerals	3087.21	3046.84	3018.30	3027.60	3238.87 (16/1)	2828.26 (8/4)
Composite	3382.90	3382.30	3370.38	3372.15	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1784.04	1781.72	1771.64	1772.80	1937.59 (16/1)	1727.04 (8/4)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 27 May 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Jpn Mtl & Chem	9.3m	778	-22	Toray Ind	2.5m	[illegible]	[illegible]
Teikoku Oil	6.5m	740	+5	NPN Steel Corp	2.4m	[illegible]	[illegible]
Morinaga Milk	4.1m	641	-19	Cosmo Oil	2.4m	[illegible]	[illegible]
Mitsubishi Kakoki	3.8m	1,150	-70	Jpn Storage Bat	2.4m	[illegible]	[illegible]
Terumo	2.8m	978	+1	NKK	2.3m	[illegible]	[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices May 27

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¼	AAR Corp	0.48	3.7	15	316	13	12⅞	13	-⅛
26	20⅝	A L Labs A	0.18	0.8	92	45	23½	23	23⅛	-⅜
68¾	56	AMP Inc	1.52	2.4	25	1296	62¼	60½	62¼	+1⅝
80¼	63⅞	AMR				16782	65¼	d63⅜	63⅝	-¼
2⅜	1⅜	ARX			2	z100	1¾	1¼	1⅜	-⅛
53½	40¼	ASA x	2.00	4.4		131487	46¼	45½	45⅝	+⅛
68⅞	58¾	Abbott Lab	1.20	1.8	24	2225	65¾	65	65¾	+⅝
13⅞	12	Abitibi Pr	0.42	3.3		8z100	12½	12½	12⅝	
11⅝	10⅛	ACM Gvt In	0.96	8.8		350	11	10⅞	10⅞	
10⅝	9⅛	ACM GvOpp	0.80	8.4		262	9½	9⅜	9½	
9½	8½	ACM Gvt Sp	0.80	8.9		1107	9	8⅞	9	+⅛
11¼	10⅛	ACM Gvt Sa x	0.96	8.9		165	10¾	10⅝	10¾	
9½	8⅝	ACM Man	0.95	10.1		87	u9½	9⅜	9⅜	
12⅞	10⅝	ACM Managd	1.06	9.3		56	11⅝	11½	11⅝	
11¼	6¼	Acme Cleve	0.40	6.0	22	40	6¾	6⅝	6⅝	-⅛
6¼	4½	Acme Elect			4	27	4⅞	4¾	4¾	-¼
33¼	18⅞	Acuson			14	625	22⅞	21½	22¼	+⅝
19½	16⅛	Adams Expr	0.46	2.6	0	167	18⅞	18¼	18¾	
49⅛	39	Ad Micro	3.00	7.5		26	40	39¼	39¾	-¼
21½	14⅝	Ad Micro P	3.00	19.5		65138	15⅝	15¼	15⅜	+⅛
9⅛	5	Advest Grp	0.16	2.4	67	56	6¾	6⅝	6¾	+⅛
71¼	66	Aegon ADR	1.50	2.2	6	6	67¾	67¼	67½	-¼
47	38⅞	Aetna Lf	2.76	6.6	9	1618	42¼	40⅝	41¾	+1¼
12	8⅜	Afil A	0.24	2.2	12	370	10⅞	10½	10⅞	+¼

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close	Prev. Close	Ch'ge
[illegible]											

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close	Ch'ge
82¼	66½	Xerox	3.00	4.0	18	1070	74⅞	73¾	74½	+1⅛
53½	50½	XeroxK.125				z100	53	53	53	+1
28½	24⅞	Xtra 1.94	1.94	7.2		3	27	27	27	
37	28½	Xtra Corp	0.80	2.4	12	14	33⅞	33¾	33⅞	
27	25¼	Yankee Egy	1.56	6.1	12	20	u27	26⅞	27	+⅛
1½	½	Zapata			56	365	1¼	1⅛	1⅛	
11⅞	6¾	ZenithElec			4	531	7⅞	7¾	7⅞	+⅛
18⅞	14½	Zenith Nat	1.00	5.7	8	44	17⅝	17½	17½	-¼
7⅞	6	Zenia Inc x	0.85	12.6		118	6⅞	6⅝	6⅝	-⅛
13¾	11	Zero Corp	0.40	3.5	16	65	11⅝	11¼	11½	-⅛
36	30½	Zurn Ind	0.88	2.8	33	96	30⅞	30¾	30⅞	
14⅞	12¾	Zweig Fund	1.16	9.0		147	13	d12¾	12⅞	-⅛
11	9⅞	Zweig Totl	1.00	9.8		587	10⅝	10½	10½	-⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices May 27

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4:00 pm prices May 27

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		26	2756	24	23¼	23½	-¼
Xoma Corp		11	7656	20½	19½	20	-½
Yellow Fr	0.94	23	1040	29	27⅞	28½	+¼
York Rsch		60	1477	6⅛	6⅛	6	+⅛
ZionsUtah	1.44	10	239	62½	50½	52¼	+1½

AMERICA

April durables orders spark brief Dow rally

Wall Street

AFTER EARLY support from a stronger than expected April durable goods orders report and demand for cyclical stocks, US share prices slipped back from morning highs to leave just a minor improvement on the day, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average was finally 6.23 up at 3,370.41, having been more than 15 points ahead at one stage. The Standard & Poor's 500 gained a marginal 0.76 at 412.17 on balance, while the American SE composite ended 0.04 easier at 391.85. The Nasdaq composite added 1.70 at 577.35. Turnover on the New York SE was a moderate 181m shares.

After Tuesday's decline, prompted by concern about the effect on the US economic recovery of higher crude oil prices, yesterday's news of a 1.4 *per cent rise in April* durable goods orders was a welcome surprise. Although the headline figure disguised underlying weakness in non-transportation goods orders, equity investors were cheered by the data, and there was particularly strong early demand for cyclical stocks, which include transportation issues. The buying soon petered out, however, and trading was subdued for most of the afternoon.

Motor manufacturers were boosted by surprisingly strong mid-May car sales, which surged to their highest level since late-December. General Motors rose $1 to $39, Ford $⅞ to $44¼ and Chrysler $¼ to $17¾, all in heavy trading.

Energy issues ran into some inevitable profit-taking as investors booked some of Tuesday's gains.

Control Data advanced $1¾ to $13¼ in turnover of about 1m shares after stating that it would divide into two separate companies through a spin-off to shareholders.

Conner Peripherals dipped $¾ to $22 on reports that top executives and board members at the disk-drive manufacturer have been selling large amounts of their stock in the company.

Syntex dropped $3¾ to $37⅞ in active trading in the wake of disappointing fiscal third-quarter operating income of $127.5m, little changed from a year earlier.

CML Group climbed $2¾ to $43¾ on news of third-quarter profits from continuing operations of 44 cents a share, more than double the profits earned a year ago.

On the Nasdaq market, Corrections Corp plunged $1¼ to $5¾ after a newspaper reported that the Federal Bureau of Investigations is looking into whether the company bribed officials to win prison contracts.

50-Off Stores was heavily traded, losing $½ to $14½ in turnover of 1.2m *shares as* investors reacted coldly to first-quarter earnings short of analysts' forecasts.

Canada

TORONTO ended barely changed from the day's opening, although telephone utility shares dipped and oil shares continued to climb.

Telephone issues fell on nervousness about an impending regulatory decision on long distance telephone services.

The composite index was up only 0.6 at 3,382.9 and rises led falls by just 296 to 276 on volume of 27.1m shares.

Drinks combines see long term growth

Leading multinationals are taking more of a declining market, says **Philip Rawstorne**

It took an unusual combination of war and recession last year to slow the progress of the international drinks industry's leading multinationals. So far this year, their relative share performance has declined as investors have looked for opportunities in short term recovery stocks.

As economic conditions improve, however, the pattern of growth that marked the international drinks sector in the 1980s should again bring long term outperformance.

The global trend, summarised in the adage that people are drinking less but drinking better, is firmly established. Best estimates indicate that the total volume of spirits consumed worldwide is falling about 1 per cent a year; but high quality, heavily marketed international brands are growing at the expense of local products at the rate of 2 to 3 per cent a year.

The process is visible in the most health-conscious western markets, and particularly in many less developed countries where personal affluence is increasing and trade barriers are being eroded.

Companies which have benefited most from this trend – and stand to do so in the future – are those which have assembled strong portfolios of spirits brands and control marketing and sales through their own worldwide distribution networks. Research by Barclays de Zoete Wedd (BZW), the London broker, suggests that such companies should attain organic profits growth of 11 per cent a year.

Guinness and Grand Metropolitan hold the strongest hands. *Each has 11 brands in the top 100.* The Guinness portfolio includes the top-selling Scotch whisky, Johnnie Walker, and the premier gin, Gordon's. GrandMet has Smirnoff, the leading vodka, and Baileys, the most popular liqueur.

The two companies, which dominate the UK drinks sector, generate the cash flow which *has enabled them not only to* strengthen their distribution systems but to begin reinforcing their prospective profits growth through acquisitions. In the past year, Guinness has bought such strong regional *brands as Asbach, of Germany,* Bundaberg, of Australia, and Pampero, of Venezuela. GrandMet has purchased a stake in Jose Cuervo, of Mexico, and taken over Cinzano.

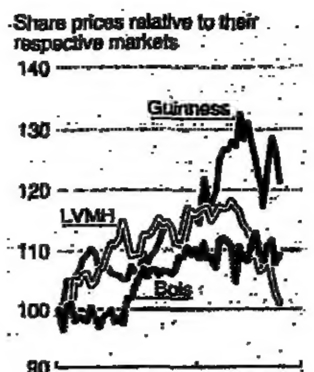
Seagram, with 10 of the top 100 brands, and Allied-Lyons, with eight, have tended to lag a little behind the pace of the two leaders. In the past *year, however, both have put* in radical restructuring programmes to sharpen the focus of management. Allied's joint venture agreement with Suntory, of Japan, could have important long term potential. Seagram's investment in Du Pont has been a valuable cash generator.

Cognac and champagne tend to be the most vulnerable to recession. This suggests there may be some extra benefit of recovery in the stocks of LVMH and Rémy Cointreau, the French groups.

Each has reinforced its position in the market through alliances. LVMH's joint venture *with Guinness has given it* wider, low-cost distribution for brands which have the highest margins and profits per case in the industry. Rémy's deal with *Highland Distilleries* has added a leading Scotch whisky to its portfolio – and its distribution strengths may yet bring in more agency brands as well as benefits from the integration of Cointreau into the system.

The earnings outlook for these two groups appears vastly superior to that of Pernod Ricard. Speculative considerations apart, Pernod Ricard's shares look overvalued. Its Irish whiskies and *Australian* wines have given it some international dimension, but half of its earnings still come from the stagnating market for aniseed products, and 37 per cent of sales are in France.

Bols, the Dutch group, in spite of the bias of its business towards liqueurs and the Netherlands and Italian markets, seems to have a much clearer growth strategy. Yet it trades at the lowest premium in the Dutch food and drinks sector.



ASIA PACIFIC

Nikkei falls below 18,000 on arbitrage unwinding

Tokyo

STRONGER crude oil prices, a weaker yen and higher bond yields prompted profit-taking and arbitrage-related selling of equities and the Nikkei average fell below 18,000 for the first time since May 6, *writes Emiko Terazono in Tokyo.*

The 225-issue average lost 382.08, or 2.1 per cent, to 17,822.56. The index opened at the day's high of 18,167.10 and fell to a day's low of 17,648.03. Late afternoon buying by investment trusts helped it recoup some ground.

Volume improved from 209m shares to 300m. Declines overwhelmed advances by 865 to 136, with 120 issues unchanged. The Topix index of all first section stocks retreated 19.22 to 1,352.61, and in London the ISE/Nikkei 50 index eased 3.70 to 1,066.00.

Heavy arbitrage unwinding on the back of a weak futures market, triggered by institutional selling, depressed the Nikkei. An increasing number of arbitrageurs are expected to unwind positions ahead of the *June futures contract's expiry* next month, since the rollover into the September contract has been delayed due to low liquidity and prospects of a continuing sluggish market.

Institutional investors and foreigners were seen selling blue chip electricals. High-technology companies have been reporting weak results for the past fiscal year to March, with Japan's five leading computer groups announcing this week pre-tax profit falls ranging from 43 to 69 per cent.

NEC dropped Y35 to Y956 and Sony Y130 to Y4,080. Mr Barry Dargan, electrical analyst at James Capel, said investors remained uncertain about the industry outlook, and some foreign investors, who had bought the issues before the recent rally, were locking in profits.

Speculative stocks which have been sought by short-term traders and individuals lost favour. Bio-technology and environmental "theme" shares fell on profit-taking, with Morinaga Milk *shedding Y19 to Y841.*

Low liquidity component stocks of the Nikkei index declined sharply due to heavy index-linked selling. Shimura Kako lost Y45 to Y640 and Shinagawa Refractories also Y45 to Y780.

On the bright side, oil and resource-related issues gained ground.

Lion, the detergent maker, jumped Y10 to Y35, a high for the year. Investors were encouraged by the company's research into production of automobile fuel from palm oil.

In Osaka, the OSE average weakened 469.75 to 20,441.75 in volume of 17.7m shares.

Roundup

THE DECLINE in Tokyo had little effect on the rest of the Pacific Rim region yesterday, *with markets generally* reacting to domestic influences.

HONG KONG set another record high in spite of profit-taking just before the close. The Hang Seng index finished 30.62 stronger at 6,082.70, after touching 6,101.89. Turnover was around HK$5bn.

Rumours that Hutchison Whampoa planned to privatise Cavendish led to the suspension of both stocks. Parent *Cheung Kong climbed HK$1.10,* or 4.5 per cent, to HK$25.70.

Other suspensions included Hong Kong Land and HK Macau Developments, on rumours, confirmed after the close, that the latter was part of a consortium which had paid HK Land HK$3.8bn for an office development.

HSBC Holdings gained HK$1.25 to HK$46.75 after the bank ruled out any plan to raise its bid for Midland Bank.

SINGAPORE broke through 1,500 for the first time in three months, the Straits Times Industrial index rising 12.25 to 1,506.54 in volume of 83.54m shares.

Banks and property groups registered the largest gains, although a rumoured interest rate cut did not materialise.

SEOUL's composite index put on 15.72 to 585.23 on reports that the government would help investment trusts in financial difficulty.

KUALA LUMPUR was weaker as many investors awaited today's listing of Tenaga Nasional, the electric utility. *It has been trading in the* grey market at M$7.60 and some analysts forecast volatile trade today, with reports that some brokers are short of stock. The composite index dipped 1.32 to 591.20.

MANILA fell on profit-taking after recent gains. The composite index was off 19.08 at 1,421.83 in combined turnover of some 315m pesos, down from 442m pesos.

BANGKOK *was weaker as* political unease continued to affect sentiment. The SET index lost 13.83, or 1.9 per cent, to 715.75 in turnover of Bt4bn.

BOMBAY fell more than 4.5 per cent in volatile trading. The BSE index closed 153.96 lower at 3,144.78.

AUSTRALIA came off an intraday low following half-year results from ANZ Banking which were in line with expectations. The All Ordinaries index closed 8.3 easier at 1,665.9 in turnover of A$357.4m.

ANZ firmed 5 cents to A$4.30, but Westpac was 11 cents lower at A$3.52 following last week's disappointing results. TNT receded 13 cents to A$1.94 after reporting worse than expected nine-month figures on Tuesday.

EUROPE

Interest rate comments keep Paris in check

MOST Continental bourses will be closed today for the *Ascension Day holiday.* Anticipation of that, and the end of the month left share prices with little in the way of initiative yesterday, and weakness in Wall Street and Tokyo overnight was another depressant, *writes Our Markets Staff.*

PARIS was still affected by comments on Tuesday by the economics minister, Mr Michel Sapin, suggesting that there would be no immediate cut in interest rates. The CAC-40 index closed down 15.49 at 2,014.09 in turnover of FFr2.2bn.

Among banks Société Générale lost FFr14 to FFr519 while Paribas shed FFr6.0 to FFr409.9 as the chairman noted that the pace of economic recovery would dictate the group's own performance this year.

Both Eurotunnel and Euro Disney had bad days, the former after comments on Tuesday by one of its contractors that the project remained under financial pressure and the latter on news that the theme park has been experiencing fewer local visitors. Eurotunnel fell FFr1.90 to FFr35.95, and Euro Disney by FFr2.80 to FFr123.5.

LVMH had another disappointing day, losing FFr76 to FFr4,009. However, Elf bucked the trend, gaining FFr3.50 to FFr401.9, while Total advanced 10 centimes to FFr267.90 in heavy volume of more than 1m shares. Together the two oil groups accounted for some 20 per cent of market volume.

Among pharmaceuticals Sanofi declined FFr29 or 3.4 per cent to FFr1,107 on disappointing first quarter sales in the US of its Ticlid drug.

FRANKFURT eased for the second day running in a continuing consolidation. A rumour from abroad that the German Chancellor, Mr Helmut Kohl would resign – denied by Bonn – also hit most blue chip stocks.

FT-SE Eurotrack 100 - May 27							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1196.03	1195.37	1195.26	1195.41	1195.03	1194.92	1194.49	1194.56
Day's High 1197.00				Day's Low 1194.25			
May 26	May 22	May 21	May 20	May 19			
1198.37	1197.48	1187.57	1187.62	1180.66			

Base value 1000 (26/10/90).

But there was little selling pressure as the DAX index closed 12.61 lower at 1,794.05 after a 6.44 fall to 718.82 in the FAZ at midsession. Volume fell from DM7.6bn to DM5.7bn.

Below the top rank, the chemicals and basic materials group, Degussa, closed DM8 lower at DM366, reflecting its lower first half sales rather than its better than expected second quarter earnings. Retailers were generally weaker than average. Horten falling DM4.50 to DM198 after a management board member said that earnings and parent company sales had declined in the first five months of this year.

In banks, Commerzbank closed DM2 lower at DM271 despite higher operating profits for the first four months of 1992, and hopes of a higher dividend. Among yesterday's few gainers the tyremaker, Continental, rose DM2.50 to DM276 as the market waited for a Hanover judicial ruling, *perhaps tomorrow,* on the validity of Conti's long-standing limitations on shareholder voting rights.

ZURICH and **STOCKHOLM** both closed early ahead of today's holiday, and both fell. Swiss shares closed broadly lower on quiet business, the SMI index dropping 10.3 to 1,914.2, and although Swedish banks recovered a little the Affärsvärlden General index ended 5.3 down at 985.9.

The Swiss cement producer, Holderbank, saw its bearers SFr210 higher at SFr5,150, topping the active list after Tuesday's forecast of a substantial upturn, and possibly a higher dividend for the current year.

AMSTERDAM was weaker, the CBS Tendency index finishing down 0.6 at 130.3.

Hoogovens slipped Fl 1.60 to Fl 58.00 on news that it is to cut raw iron and steel output while Royal Dutch moved up Fl 1.20 to Fl 159.80. The chemical groups, Akzo and DSM, were hit by the prospect of higher oil prices, losing Fl 1.10 and 90 cents respectively to Fl 159.10 and Fl 114.90.

MADRID slipped in turnover of Pta10bn, the general index closing 0.89 lower at 258.01. The half-day general strike set for today is expected to have scant affect on the market, since the stoppage ends at noon and the Madrid bourse opens daily at 11am.

BRUSSELS managed a rise, in spite of an hour's interruption in trading because of a bomb alert. The Bel-20 index closed up 3.03 at 1,230.80 in turnover of BFr919m.

Delhaize was BFr10 higher at BFr3,990 ahead of reporting a rise in first quarter earnings of 15 per cent while Petrofina eased BFr25 to BFr10,825.

COPENHAGEN's all-share index rose 2.40 to 341.74 on growing expectations that Danes will vote to ratify the EC Maastricht treaty in their June 2 referendum.

The gains followed an opinion poll on Tuesday evening showing a swing to a 41-39 per cent majority backing the treaty, after a month with a majority of No votes.

OSLO gained strength from higher oil prices and the all-share index closed up 2.12 to 449.92 in turnover of NKr542.7m.

SOUTH AFRICA

JOHANNESBURG's industrial index declined on profit-taking after record levels earlier in the week, closing down 7 at 4,651. Demand for high quality shares pushed the overall index up 5 to 3,722 while the gold index put on 2 to 1,105.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 27 1992								TUESDAY MAY 26 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	150.74	−0.7	124.09	123.82	128.09	132.39	−0.5	4.16	151.73	123.06	124.06	126.92	133.06	153.68	140.94	138.98
Austria (19)	167.94	−1.7	138.25	137.96	142.71	142.43	−0.5	2.05	170.92	138.62	138.75	142.98	143.12	186.70	162.48	201.42
Belgium (46)	141.49	−1.2	116.48	116.22	120.23	117.07	+0.1	5.20	143.25	116.18	117.12	119.83	116.93	146.19	135.87	135.20
Canada (115)	126.79	+0.0	104.38	104.15	107.74	110.38	+0.0	3.32	126.80	102.84	103.67	106.06	110.32	142.12	125.60	138.83
Denmark (35)	242.95	−0.1	200.00	199.57	206.45	207.92	+1.1	1.76	243.29	197.32	198.93	203.52	205.65	273.94	228.81	244.48
Finland (15)	78.48	−1.5	64.60	64.47	66.69	72.98	+0.1	1.98	79.64	64.59	65.12	66.62	72.93	89.80	73.64	116.24
France (104)	162.60	−2.1	133.85	133.55	138.16	139.90	−0.6	3.36	166.07	134.69	135.77	138.90	140.80	168.75	148.06	137.43
Germany (65)	121.87	−2.4	100.32	100.12	103.56	103.56	−0.9	2.23	124.92	101.32	102.16	104.50	104.50	124.92	114.67	115.17
Hong Kong (55)	253.59	+0.5	208.76	208.31	215.51	252.27	+0.6	3.24	252.30	204.62	206.29	211.06	250.76	253.59	176.36	150.80
Ireland (16)	155.99	−2.1	128.41	128.13	132.55	134.10	−0.7	4.06	159.41	129.29	130.34	133.35	135.07	173.71	151.78	158.02
Italy (78)	70.80	−2.2	58.28	58.16	60.16	65.04	−0.8	3.25	72.41	58.73	59.21	60.57	65.57	80.86	68.39	80.25
Japan (473)	102.10	−1.9	84.05	83.87	86.77	83.87	−1.4	1.01	104.04	84.38	85.07	87.04	85.07	140.95	88.70	136.64
Malaysia (68)	236.69	−0.1	194.85	194.42	201.13	230.45	+0.1	2.82	237.04	192.25	193.81	198.29	230.11	250.18	212.49	245.18
Mexico (18)	1620.57	−0.4	1334.06	1331.19	1377.12	5504.24	−0.3	1.04	1627.04	1319.60	1330.34	1361.05	5520.66	1789.77	1376.91	1008.00
Netherland (25)	159.26	−1.5	131.11	130.82	135.34	133.71	+0.0	4.18	161.74	131.18	132.24	135.30	133.69	161.74	147.88	140.42
New Zealand (14)	45.94	−1.6	37.82	37.74	39.04	45.54	−1.4	5.82	46.66	37.85	38.16	39.04	46.19	48.52	42.01	50.28
Norway (23)	184.94	−0.6	152.25	151.92	157.16	169.84	+0.8	1.58	186.12	150.95	152.18	155.69	158.52	192.95	161.26	208.50
Singapore (38)	222.82	+0.4	183.43	183.03	189.34	167.78	+0.7	1.95	221.86	179.94	181.40	185.58	166.55	228.43	192.78	203.19
South Africa (61)	249.80	+0.0	205.64	205.19	212.27	188.01	+0.2	2.70	249.78	202.58	204.23	208.94	187.57	263.60	203.16	221.93
Spain (50)	156.40	−1.6	128.75	128.47	132.90	120.67	−0.2	5.02	158.86	128.84	129.90	132.89	120.95	160.85	146.86	162.08
Sweden (27)	193.55	−2.6	159.33	158.99	164.47	168.55	−1.1	2.63	198.66	161.11	162.43	166.18	170.42	199.93	173.09	192.33
Switzerland (60)	105.08	−0.7	86.50	86.32	89.31	96.84	−0.2	2.21	105.87	85.87	86.57	88.57	97.07	107.27	95.99	95.55
United Kingdom (228)	195.74	−1.7	161.13	160.77	166.32	161.13	−0.2	4.63	199.14	161.51	162.81	166.57	161.51	200.07	165.85	172.69
USA (522)	168.08	+0.3	138.36	138.07	142.83	168.08	+0.3	2.97	167.64	135.98	137.07	140.24	167.64	171.66	160.92	154.98
Europe (791)	153.73	−1.8	126.55	126.28	130.64	129.28	−0.4	3.79	156.53	126.95	127.98	130.94	129.78	158.64	139.31	140.91
Nordic (100)	181.18	−1.4	149.15	148.83	153.96	150.99	+0.0	2.15	183.71	148.99	150.21	153.68	150.98	188.52	169.66	186.44
Pacific Basin (717)	108.73	−1.6	89.50	89.31	92.39	90.16	−1.2	1.38	110.49	89.61	90.35	92.43	91.25	141.97	94.40	136.94
Euro – Pacific (1508)	126.94	−1.7	104.50	104.27	107.86	106.33	−0.8	2.55	129.12	104.73	105.57	108.01	107.18	146.21	113.80	138.92
North America (637)	165.49	+0.2	136.23	135.95	140.65	164.15	+0.3	2.98	165.08	133.88	134.99	138.11	163.74	169.69	156.70	153.89
Europe Ex. UK (563)	128.80	−1.9	106.03	105.82	109.48	110.92	−0.5	3.15	131.23	106.43	107.32	109.80	111.47	131.23	121.81	121.45
Pacific Ex. Japan (244)	173.95	−0.1	143.20	142.91	147.84	154.90	+0.1	3.51	174.06	141.17	142.34	145.62	154.76	174.06	149.00	139.50
World Ex. US (1702)	129.27	−1.6	106.42	106.19	109.85	108.66	−0.7	2.56	131.35	106.53	107.41	109.88	109.47	146.91	118.45	140.24
World Ex. UK (1996)	136.26	−0.7	112.17	111.93	115.80	123.53	−0.4	2.47	137.27	111.33	112.25	114.84	123.88	150.58	127.21	141.38
World Ex. So. Af. (2163)	140.66	−0.9	115.79	115.55	119.54	126.48	−0.4	2.72	141.89	115.08	116.02	118.70	126.93	153.05	130.04	143.68
World Ex. Japan (1751)	163.40	−0.5	134.51	134.23	138.87	151.85	+0.0	3.28	164.25	133.21	134.31	137.42	151.84	165.06	153.20	149.46
The World Index (2224)	141.38	−0.9	116.39	116.14	120.15	127.04	−0.3	2.72	142.60	115.65	116.60	119.29	127.48	153.70	130.66	144.16